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Haney Discusses The Election

By LEWIS HANEY

Professor of Economics, New York University

A new York City reader asks: "What does the big landslide for Roosevelt in the electoral college mean? How will this affect investments?"

Lewis H. Haney

ANSWER: What you call a "landslide" exists only in that out-of-date and unrepresentative institution known as the Electoral College. The important truth is that the POPULAR VOTE was nearly equally divided between the two candidates. Out of something like 50 million votes there was only about a three-million majority for Roosevelt.

Two points are impressive. (1) This is much the smallest majority Roosevelt has had in any of his four candidacies, and probably shows a tendency away from New Deal theories. (2) The vote is so evenly divided that we know the country to be fairly safe from any excessive radicalism. It wouldn't take much to swing the majority

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Index of Regular Features on page 2160.

Outlook for Post-War Petroleum

By ALBERT J. McINTOSH*

Economist, Socony-Vacuum Oil Co., Inc.

Mr. McIntosh After Describing Forecasting Methods Predicts That Passenger Cars in 1948 Will Not Consume More Gasoline Than in 1941 Because of More Efficient Cars. Expects Motorists to Get 22 Miles on a Gallon on Cars Manufactured in 1947 and 25 Miles a Gallon on 1949 Product. He Expects, However, Increased Demand From Trucks, Buses And Tractors, and Civil Aviation. Sees Largest Expansion Coming From House Heating Fuel Oils Which He Predicts Will Exceed in Quantity Passenger Car Demand by 1946. Concludes Petroleum Future Is Bright But Always Changing.

My topic today is the post war demand for petroleum products in the United States after V-J day, i. e. in that happy period when both wars will be over and won. These demands do not include exports from the United States but refer only to consumption within continental United States about which, I believe, you are primarily interested. We have been using C. L. Burrill's figures on exports so that if you need total demand figures, they may be calculated rather easily. The assumptions about the war upon which all of my forecasts were made, are that Germany would be out of the war in 1944 and Japan would be overcome in 1945. If other assumptions were made, naturally they would affect

Albert J. McIntosh

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*An address made by Mr. McIntosh before the New York Society of Security Analysts in New York City, Oct. 25, 1944.

The "Key Nation" Approach to Problem of Currency Stabilization

By WINTHROP W. ALDRICH*

Chairman, Board of Directors, The Chase National Bank of the City of New York

Prominent Banker Outlines Plan for International Currency Stabilization Which Involves the Fixing of a Dollar-Pound Exchange Rate. Lists As Prerequisites: (1) Settlement of War Debt Problem Between U. S. and United Kingdom; (2) the Reduction of Their Trade Barriers; and (3) a Grant-in-Aid to Great Britain for Her Post-War Needs. Foresees Other Currencies Stabilized When Dollar-Pound Rate Is Established, and Says Bretton Woods Plan Means the "Automatic Granting of Credits With No Relation to Credit Needs."

The Chairman of our section reserved today's meeting for a consideration of the "key nation" approach to the problem of currency stabilization. In order to answer the questions raised at the last session, I shall endeavor in a few words to indicate what is meant by this approach and what it attempts to accomplish.

W. W. Aldrich

Those of us who advocate the "key nation" approach believe that the stabilization of key currencies is the first and indispensable step in the stabilization of all currencies. Key currencies

(Continued on page 2137)

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*A statement made by Mr. Aldrich before the Section on Currency of the International Business Conference at Rye, N. Y., Nov. 13, 1944.

Futility of "Inflation" Discussion

By DR. WALTER E. SPAHR

Professor of Economics, New York University

Secretary, Economists' National Committee on Monetary Policy

Because of the Many and Varying Concepts of the Term "Inflation," Professor Spahr Maintains That There Would Be a Real Gain to Knowledge If It Were Dropped From Our Economic Vocabulary.

Current discussions of "inflation" are in general futile because the term "inflation" has no exact meaning that is generally acceptable in economics. It has no scientific value. It means various things to various people. It is perhaps not too much to say that it has almost as many meanings as there are writers who use it. As a consequence, the conclusions reached or offered by authors and speakers who use the term differ widely. The result, in general, is little more than the utmost confusion both in analyses and in conclusions.

Dr. Walter E. Spahr

A descriptive term is valuable in science only when it classifies clearly, distinguishes unlike things, and leads to useful conclusions. The word "inflation," as generally used today, does not meet these requirements of science. Often the term is used without definition, or the definition is inadequate or marred by inconsistencies.

For these reasons, the current practice of using this poorly-defined term could hardly result otherwise than in the reaching of peculiar or worthless conclusions

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Peace By Force in An Uncivilized World

By ALEXANDER WILSON*

The Dumbarton Oaks Charter for a New League of Nations: Is Permanent Peace Attainable? Will the Dumbarton Charter Guarantee the Autonomy of Small Nations? A Plea for the Rights of Small Nations.

In a war-weary and war-torn world of 2,169,868,000 people, of 63 or more nationalities, speaking 2,796 languages, a plan was born at Dumbarton Oaks for a second League of Nations after 6 weeks conference of four Great Powers.

Alexander Wilson

In its general framework, the Dumbarton Oaks proposals are very much like the make-up of the first League of Nations. The governments which were represented in the discussions in Washington have agreed that after further study of these proposals they will, as soon as possible, take the necessary steps with a view to the preparation of complete proposals which could then serve as a basis for discussion at a full United Nations conference.

The plan in embryo includes a governing body or Security Council of eleven members and a lower house or deliberating body to be called the General Assembly, a Secretariat and an International Court of Justice fashioned on the lines of the present International Court.

(Continued on page 2150)

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*Writer of "Why A New League of Nations Will Not Ensure Permanent Peace" in "The Chronicle," Mar. 9, 1944, p. 1017, and "Reply to Critics" of this article in "The Chronicle," Mar. 30, 1944, p. 1330.

Economic Effects of the Election

The reelection of President Roosevelt, while a natural disappointment to the millions who supported Governor Dewey, was far from unexpected. Most of the leading polls had favored the Democratic chances.

While from the viewpoint of business and industry and most investors a Republican victory would have been more acceptable, we can view with equanimity the continuance of the present Administration, to which in varying degrees of willingness we have become accustomed during its long tenure and under which, in recent years at least, business has been able to operate with profit.

L. H. Bradshaw
Editor
"Investment Timing"

The Independence of Congress

On the basis of the returns so far tabulated, the ratio of the political parties in the Senate is little changed, while the Democrats have gained some seats in the House. The absence of any Democratic "sweep" points to the maintenance of an independent spirit in Congress against further New Deal influence, based on a practical coalition of Republicans with conservative Democrats.

Anti-Business Trend Checked

Mr. Roosevelt's return to office will not necessarily, and probably will not actually, mean a return of radical anti-business legislation, even though part of his success at the polls may be ascribed to support by radical and socialistic elements. Any such attempts will undoubtedly be firmly checked by the conservative balance in Congress.

In an attempt to appraise the possible effects of the continuance of the Roosevelt Administration

(Continued on page 2148)

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Cinti Municipal Bond Dealers Elect Officers

CINCINNATI, OHIO — Marion H. Woody, of Walter, Woody & Heimerdinger, was elected Chairman of Municipal Bond Dealers Group of Cincinnati at its annual meeting on Thursday, Nov. 9.

Marion H. Woody

Wm. Einhorn of Einhorn & Co., was reelected Secretary and Treasurer.

The following were also elected to serve on the Board of Directors:

J. Edward Sohn, Jr., Vice-President of Lincoln National Bank; Howard H. Banker, of C. J. Devine & Co., and Edward F. O'Connor, of Pohl & Co., Inc.

Howard S. Wheeler Now Back at Desk

ORLANDO, FLA.—Howard S. Wheeler, Vice-President of Leedy, Wheeler & Co., Florida Bank Building, has returned to his desk. He has been serving as a Major in the Army Air Forces in the Pacific Area during the last two and one-half years.

Security Adjustment Adds Eslick to Staff

BROOKLYN, N. Y. — Security Adjustment Corporation, 16 Court Street, announces the addition to its staff of Harl Eslick as Economist. He has taught investments at the American Institute of Finance, Buffalo, and economics at New York State Normal School. He was more recently associated with T. J. McCann Co. of Buffalo.

Furniture After Victory

Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill., members of the Chicago Stock Exchange, have prepared an interesting pamphlet discussing the outlook and future of the furniture industry. Copies of this interesting release may be had from the firm upon request.

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Where Angels Fear To Tread

It's Time for SEC Action to Dispel the Suspicion Conjured Up Against the Securities Business and to Remove The Strait-Jacket Threat of a Wholesale Price Disclosure Rule That Would in Effect Make It Economically Compulsory for Dealers to Sell the Securities of the Giant Corporations of the Country to the Detriment of Small Business. Would Also Wipe Out Small Dealers in Securities.

Here, in substance, we deal with some of the reported utterances of James A. Treanor, Jr., Director Trading and Research Division of the Securities and Exchange Commission, the gentleman who beats the drums for the Commission, a sort of unofficial public relations counsel, and proven firebrand.

These were made at a recent lecture at the New School for Social Research in New York City. Mr. Treanor said that he was speaking for himself and not as an SEC official.

Mr. Treanor's talk was a plea for "more regulation" of over-the-counter trading. (A report on his remarks appeared in our issue of Nov. 9, on page 2019.)

Amongst other choice errata he contended that investors, other than institutional buyers, are "laymen" and should come under the protective wing of the SEC. The entire assumption does violence to the facts. Institutional buyers act through individuals in charge of their portfolios whose trading acumen is **not only matched but frequently surpassed by a large portion of the investing public** to whom the security business is no stranger. This implied picture of the public as the victim, with the dealer and the broker ready to make the kill unless the "protective wing" of the Commission be availed of, is false and defamatory and a slander upon an industry which has played a major role in the progressive building of our country. Unless the flap of that "protective wing" is reduced to some degree of moderation, it may be killing off some of its offspring.

Here is another "gem." He maintained that whether they buy or sell for their own account or not, dealers in securities and brokers are in reality agents of their customers. This assertion involves not alone certain principles of customs and usage in securities trading but also questions of law. We would be interested to learn with particularity what specific trading experience Mr. Treanor has had which would qualify him to speak authoritatively on this subject. When, where, and for how long, was he a securities dealer or broker? Upon what precedent does he base his enunciation that the dealer who sells as principal is in reality an agent for the purchaser? Specifically in what volume of over-the-counter sales has he participated?

Another theory that he espoused was the so called "full disclosure" principle, long known to be **his particular pet,**

(Continued on page 2153)

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Post-War Municipal Bond Yields And the Future of Interest Rates

By CHARLES P. BURGESS*

Bond Analyst Predicts a General Post-War Rise in Interest Rates. Questions the Basis for the High Level of Municipal Bond Prices and Holds That There Are Cogent Reasons for Anticipating Higher Yield Levels in Post-War Period. Points to Probable Reduction in Income Tax Rates and a Larger Supply of New Municipal Obligations as Factors Which Will Bring Municipal Bond Yields Closer to the Yields on Corporate Issues.

Charles P. Burgess

There seems to be a preponderance of opinion among municipal bond buyers that little change may be expected in the present low level of yields on tax-exempt bonds for many years to come. The reasoning is based principally upon the power of and the necessity for the Federal Government to maintain a low rate of interest on the national debt, and upon a huge post-war Federal budget which would require continued high income tax rates for its support. We believe, however, that there are also cogent reasons for anticipating a return to somewhat higher yield levels and that investors should weigh these possibilities carefully instead of complacently accepting the market per se. These reasons include probable post-war reductions in personal income and corporation income and excess profits taxes, increased borrowings by States and municipalities, and a possible

(Continued on page 2140)

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*Mr. Burgess is associated with Kaiser & Co., members of the New York and San Francisco Stock Exchanges, as a municipal bond analyst.

Proposes Plan to Aid Small Business Raise Venture Capital

Weissman of SEC Staff Would Have Commercial Banks Organize Regional Institutions, Supervised by Federal Reserve, to Buy Equity Securities.

Rudolph L. Weissman

Speaking at the New School for Social Research of New York on Nov. 10, Rudolph L. Weissman, member of the staff of the Securities and Exchange Commission, outlined a plan which he has devised to aid moderate sized business concerns to obtain "venture capital." His proposal, which will be described in detail in a book to be published shortly under his authorship, was not worked out under the auspices of the SEC and represents merely Mr. Weissman's personal views. Mr. Weissman, in addition to his connection with the SEC, is chairman of the current weekly series of lectures given at the New School under the caption "Ten Years of the SEC."

Mr. Weissman began his remarks by defining his conception of small business, which, he held, could be any concern with capital ranging from $50,000 to $5,000,000. He then discussed the handicaps of small business concerns in obtaining what he called "venture capital." He explained that "venture capital" meant "risk capital" and risk capital could claim no fixed payments in the way of in-

(Continued on page 2148)

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How Smaller Business Can Finance Plant Expansion

By DR. IVAN WRIGHT

Professor of Economics, Brooklyn College

Record Demand for Manufacturing Machinery Looms for the Post-War Period, Dr. Wright Holds, but Warns Manufacturers Against Using Up Cash Resources and Liquid Reserves to Finance Such Purchases. Considers Government and Private Alternative Financing Methods. Discusses Use of Installment Financing Procedure for Equipment Purchases.

Dr. Ivan Wright

A record peacetime demand for machinery and machine tools is in prospect for the post-war years. Many influences will stimulate and swell this demand at that time.

Most manufacturers of civilian goods have not been able to make normal replacements of parts and machines during the war. At the same time, their machinery has been used longer hours and more intensively than ever before, and unskilled operators have added to the wear and tear upon many machines. Where manufacturers have stored equipment in warehouses or unused factories to make way for the machines required for war production, they may find that the machines have deteriorated or that large savings can be effected through the substitution of new and improved models.

In addition to the great backlog of demand arising from deferred replacements, there is also a large potential volume of machinery orders arising from the plans of many manufacturers to expand capacity far beyond pre-war levels, to turn out new or greatly changed products, and to utilize improved raw materials and productive processes. A leading contemporary scientist has said that some industries have compressed within two years the technological progress that would have taken half a century if the war had not intervened. Before these tech-

(Continued on page 2144)

Chas. Thomas With Kean, Taylor & Co.

Kean, Taylor & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Charles C. Thomas has become associated with the firm in its bond department. Mr. Thomas was formerly associated with H. L. Allen & Co.

Foote Appointed By J. P. Morgan & Co.

Alfred S. Foote was appointed an Assistant Vice-President of J. P. Morgan & Co. Incorporated, 23 Wall St., New York City, on Nov. 8.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

M. F. Leighton & Co. Again Active In St. Paul

(Special to The Financial Chronicle)

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Michael Heaney Named Director of STANY

Michael J. Heaney, of Joseph McManus & Co., has been elected a director of The Security Traders Association of New York, Inc., for the term ending Dec. 31, 1945, to fill a vacancy.

Attractive Possibilities

Crompton & Knowles Loom Works common and Foremost Dairies common offer attractive possibilities, according to memoranda issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York Stock Exchange and other national exchanges. Copies of these memoranda may be had from Buckley Brothers on request.

Airline With A Future

Chicago and Southern Airlines, "The Valley Level Route," which bisects every transcontinental air carrier, offers attractive possibilities, according to an analysis prepared by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this analysis may be had from Scherck, Richter Company upon request.

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The Best Cure for Inflation Is Savings Says W. Randolph Burgess

ABA President Denies That Depression of the Thirties Was Caused by Over Savings. He Expresses Satisfaction That War Has Renewed Advocacy of Savings and Urges Banks to Foster The Savings Philosophy

W. Randolph Burgess, newly elected President of the American Bankers Association and Vice-Chairman of the Board of the National City Bank of New York, in speaking on Nov. 9 to the Savings and Real Estate Mortgage Conference of the Savings Division of the ABA at Atlanta, Ga., called attention to the changed attitude toward the economic effects of savings as opposed to spending, and he urged the banks of the country to encourage and foster this attitude by giving to the millions of their customers "the touch of the savings philosophy as well as the facilities for savings at this time when the tide runs with us."

W. R. Burgess

Pointing out that "most of us were brought up on the philosophy of savings of Benjamin Franklin and Puritan New England traditions 'A penny saved is a penny earned'," Mr. Burgess remarked, "we know that America was built up by her savings. Savings built our railroads, and our homes, and our great industries.

"Then a few years ago," he continued, "this whole philosophy was violently attacked by a school of economists who talked about over-saving.

"They told us that the depression of the 30's was caused by too much saving, and that we must teach the people to spend. There has, for example, just come out in England, published by Oxford University, a symposium on the economics of full employment by six British economists, who reach the conclusion that the post-war problem will be solved by 'maintaining effective demand for the products of industry at the required level.' They advocate three principal methods:

"1. Deficit spending by the State.

"2. Insuring a sufficient volume of expenditures by business men on plants, machinery, buildings, and so forth.

"3. Redistribution of income from the well-to-do, who are likely to save, to the poorer classes who are likely to spend.

"There are writers in this country with similar views. Their emphasis is on spending, and they think saving is dangerous.

"This is an attractive sort of philosophy for many people. The politician who finds it difficult to balance the budget finds justification in this very pleasant theory. It makes a plausible reason for the labor union seeking an increase in wages to believe that it is acting in the national good. It fits right in with the popular political theme of rapping business over the knuckles.

"Of course this philosophy has an elaborate theoretical explanation for its conclusions worked out by its high priests. It is all so elaborately worked out that the ordinary reader finds it quite impossible to follow the line of reasoning, and if you attack it, they tell you that you didn't understand what they meant. The general idea is that in the business process there is a flow of funds and of goods. A factory, for example, is producing goods and paying out funds to its workers. The workers must receive enough to buy the goods that are produced. The flow of funds from factory to worker and back to factory again through the purchase of goods, they say, is interrupted whenever anybody saves money. If the plant saves money then not enough money is distributed to buy the goods it produces. If the worker saves money that limits the market for the goods that the factory produces. This is over-simplifying the theory, and I am sure that all writers on the subject would say it is a totally unfair presentation. But it does give you the gist of the argument.

"Now you and I know by the testimony of our practical experience that this delightful theory of the virtue of spending and the vice of saving is bunk, because we know that you do have to have saving to build railroads, or to

(Continued on page 2153)

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Investment of U. S. Capital Abroad

By DR. HERBERT FEIS*
Formerly Economic Adviser of the State Department

Contending There Is a Changed Attitude Toward Foreign Investments Due to Recognition That We Cannot Isolate Ourselves and That Financial Assistance Abroad Will Help Us Out of Our Difficulties, Dr. Feis Recommends That We Enter the Field With a Clear Understanding of Our Problems and Limitations. Foresees Direct American Investment Abroad and In View of Our Ample Capital, Holds It Our Duty to Grant Foreign Credits "Under Proper Guidance." Favors Both Governmental and International Credit Cooperation but Feels U. S. Should Have Veto Power When Its Dollars Are Used.

I.

Changed Attitude on Foreign Investments

We are today in the United States experiencing a great change of mood as regards foreign investment. Ten years ago opinion was impatient with any suggestion that we should ever again find it wise to invest abroad. Today it is impatient with any suggestion that there is need for reflection upon the outcome of such a course. The great reversal of attitude is an illustration of the way in which doctrine, not to say dogma, is born out of the latest—and hence, the most vivid—experience.

Dr. Herbert Feis

A decade or so ago the country appeared to have renounced permanently the financing of other countries. The Government had arrived at the end of the long and disappointing train of argument with its former Allies over the payment of World War debts. We passed the Johnson Act forbidding the making of new loans to the defaulting governments; this Act still stands upon our statute books—a troublesome memorial to our indignant innocence. The private purchasers of the bonds issued by many foreign governments and enterprises had suffered losses because of default. Simultaneously, the direct foreign investment undertakings of American business in many lands were confronted by currents of

(Continued on page 2146)

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*An address made by Dr. Feis before the Institute of Post-War Reconstruction of New York University, New York City, Nov. 1, 1944.

Situations Interesting In Conn. Companies

Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn. members of the New York Stock Exchange, have prepared memoranda on American Hardware Corp.; Scovill Mfg. Co.; United Illuminating Co.; Torrington Co.; Connecticut Light & Power Co.; Connecticut Power Co.; Connecticut situations which appear attractive at current levels. Copies of these memoranda may be had from Chas. W. Scranton & Co upon request.

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Interstate Aircraft & Eng. Appears Attractive

Intersate Aircraft & Eng. Co. offers an interesting situation according to a circular being distributed by Hirsch, Lilienthal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges. Copies of this circular may be had from the firm upon request.

Situations Of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana Limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

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Public Utility Securities

Consolidated Edison

For some time Consolidated Edison has been selling somewhat out of line on a yield basis with similar high-grade utility operating company stocks. Recently this spread has narrowed somewhat. Following is a comparison based on recent prices:

	Price About	Div. Rate	Yield About
Consolidated Edison	25	$1.60	6.4%
Philadelphia Electric	20	1.20	6.0
Pacific Gas & Electric	34	2.00	5.9
Southern Calif. Edison	26	1.50	5.8
Detroit Edison	21	1.20	5.7
Boston Edison	36	2.00	5.6
Cons. Gas of Baltimore	67	3.60	5.4
Commonwealth Edison	29	1.40	4.8

Consolidated Edison has been disbursing a liberal proportion of earnings in dividends, particularly if earnings are taken on a parent company rather than a consolidated basis. For the 12 months ended Sept. 30th, parent company earnings were $1.34, although on a consolidated basis they amounted to $1.84. The company maintains a strong cash position, and the capital structure is conservative.

Taxes have doubtless been an important market consideration. Edison thus far has avoided payment of excess profits taxes. Late in 1943 it was feared that, with "carryovers" largely exhausted, the company might fall into the EPT bracket sometime in 1944. But Edison has thus far apparently avoided this difficulty, either through charging off premiums on bonds it has been retiring out of cash, or by other means. There has, however, been a substantial increase in Federal income taxes—$17,583,500 in the latest period, compared with $13,523,500 in the corresponding previous period. While Consolidated revenues increased by over $23,000,000 the gain was more than absorbed by increased expenses and taxes, so that share earnings dropped to $1.84, compared with $1.91 previously.

Consolidated Edison has asked the Public Service Commission approval to merge with its subsidiaries—Brooklyn Edison, New York & Queens Electric Light & Power, New York Steam, Westchester Lighting and Yonkers Electric Light & Power—minority interests in which have been reduced to very small percentages. The system has, of course, already been largely unified from an operating viewpoint; centralized operations in 1943 represented about four-fifths of operating expenses, exclusive of depreciation and taxes. However, eventual savings in expenses, if the merger can be consummated, are estimated at between $650,000 and $1,000,000 a year, and in taxes (based on 1943 earnings without adjustment) the gross saving is figured at about $1,250,000. Any savings in expenses will be made available for rate reductions and revisions.

In connection with the merger application, the company has indicated that it hopes to refund most of its outstanding bonds and also the preferred stock. The present 20 bond issues and eight stock issues in the hands of the public would be reduced to three and two, respectively. Immediately after the merger, the company hopes to reduce long-term debt some $47,000,000 out of cash. 98% of the remaining $393,000,000 would either be callable, or would mature not later than 1950. Thus, the present debt ratio of 37% (low as compared with most utilities) would be further reduced, and the present average interest rate of 3.41% would also be substantially lowered by the refunding. A single type of mortgage bond on all merged properties would be issued, replacing the various mortgage and debenture issues now outstanding.

It is, of course, difficult to forecast potential savings for common stockholders in the refunding program. A rough estimate works out at some 30¢ a share. Completion of the program will be dependent, of course, on Commission approval of the merger and refunding, continuance of present favorable market conditions, etc.

Stoker Looks Good

Large potential demands for railroad equipment, both here and abroad, including locomotives dependent upon mechanical stokers, make the outlook for Standard Stoker Co., Inc., most attractive, according to a recent memorandum on the situation prepared by G. A. Saxton & Co., 70 Pine Street, New York City. Copies may be had from the firm upon request.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad St., New York. Copies of this interesting study may be had from the firm upon request.

Bernstein Commends Bretton Woods Plans

Treasury Technical Expert Tells Librarians World Peace And World Prosperity Can Be Assured Only by International Co-operation for Currency Stability.

E. M. Bernstein

In an address before the Financial Insurance on Social Science Group of the New York Chapter, Special Libraries Association at the Russell Sage Foundation Building in New York City on Nov. 13, Dr. Edward M. Bernstein, Assistant Director of Monetary Research of the United States Treasury Department, outlined the political, economic and social significance of the plans for an International Monetary Fund and an International Bank for Reconstruction and Development. He laid down, what he called, "three simple propositions" and discussed their significance. These are:

1. The establishment of international peace will be more difficult in a world of depression, economic aggression and financial disorder.

2. The attainment of high levels of employment and rising standards of living in this country will be less difficult in a world with prosperity, orderly, stable and free exchange arrangements, expanding international trade and adequate international investment.

3. International monetary and financial problems are an international responsibility and can be solved only by international co-operation.

Amplying these propositions Dr. Bernstein stated that:

"The post-war world is faced with some hard economic problems. The countries that have suffered from five years of enemy occupation and destruction must be rehabilitated and reconstructed. The countries whose international economic position has deteriorated as a result of six years of war must restore their position to a peace-time basis, and restore that position in a way that will

(Continued on page 2139)

Central Pacific Ry. Exch. Offer Operative

It was announced Nov. 15 that holders of $25,238,000 Central Pacific first refunding mortgage 4% gold bonds of 1949 have accepted the offer to exchange first and refunding series A new bonds due in 1974 for their holdings.

The exchange offer has been declared operative by the Central Pacific Board of Directors, subject to approval of the Interstate Commerce Commission.

The offer, A. C. Mercier, Southern Pacific Co. President, said, will be kept open to Dec. 15, or until $50,000,000 of the bonds have been offered for exchange, whichever is sooner.

The exchange offer is being made to holders of $88,211,000 first refunding bonds of 1949. The new bonds will bear interest at 4¼% annually until Aug. 1, 1949, maturity date of the presently outstanding bonds. From that date until 1974, they will carry interest at 3½%.

Rayon Outlook Attractive

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, have just issued two analytical reports on rayon, one of them on the rayon industry in general and the other on Burlington Mills Corporation, world's largest manufacturer of fabrics from man-made fibers. This company also expects to be a major factor in post-war production and sales of nylon hosiery.

The reports point out that consumption of rayon has exceeded that of silk in every year since 1927 and that of wool since 1938 with one exception. A chart on the earnings of Burlington Mills Corporation shows that the company has made a profit in every year since 1929, despite the depression, and that dividends have been paid at an increasing rate in every year since 1934.

Copies of these reports may be obtained from Kidder, Peabody & Co.

Tomorrow's Markets Walter Whyte Says—

Post-election rally hits old snag. Possibility of reaction now increased. Profit taking recommended.

By WALTER WHYTE

Something is going on that the market apparently doesn't like. Obviously it doesn't say so in just so many words (though that would be a help.) Its action in the past few days, however, leaves much to be desired.

* * *

In writing last week's column I commented on the elections and said the possibilities of a rally were much greater than that of a decline. The rally came alright, but by no stretch of the imagination could it be called anything distinctive. It was just a minor upsurge. But as before, the market hit up against the 150 tops in the industrials and showed no inclination to go through.

* * *

Now I'm as patient as the next man. If I think a previous obstacle will be negotiated within a reasonable time, I can wait. But if that same obstacle begins to take on the quality of armor plate, it seems to me the wisest thing is to withdraw and give the situation another once-over.

* * *

It isn't necessary to rehash past performances. Anybody who follows the market is quite aware that stocks have made a number of efforts to get through. Everybody also knows that none of these at-

(Continued on page 2159)

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Post-War Labor Problems

By SAMUEL M. FISHER*

Counsel for Austin M. Fisher, Labor Relations Consultant

Predicting That Post-War Unemployment May Reach 20 Million, Mr. Fisher Contends That Neither Labor, Industry nor Government Have A Coherent Plan for Attacking the Problem. Foresees Labor's Attitude As Demanding Tightened Seniority Regulation, Opposition to Technological Changes, Severance Pay and Advance Notice of Layoffs Together with Union Hiring and Guaranteed Wages. Urges Bargaining With Labor on an Industry-Wide Basis.

Samuel M. Fisher

As I see it, American enterprise is today entering its most crucial period, so I should like to explore with you three areas of major concern. They are the areas of unemployment, wages and hours, and Selective Service. The most important of these problems is, of course, the unemployment problem. What I have to say to you on that subject may to some extent reflect personal opinion, and while I have no desire to start political controversy, we must talk about politics and politicians when we talk about unemployment.

To start with, as I see it, this problem during the next three years will probably result in unemployment of from 8,000,0000 to 20,000,000, nearer the 20,000,000 side if current estimates of our post-war national income are found to be correct.

It is tragic, but true, that organized labor has no coherent plan for attacking this problem. I have seen no evidence of any plan on the part of Mr. Roosevelt, except a resort to the historic custom of priming the pump; and now—hold your seats—I don't think Mr. Dewey had a plan, either.

We in business, too, must take our share of blame. I think the Committee for Economic Development has been over-publicized in its attacks on the problem. If you will go into your factories and talk to the people there and ask them whether or not they think business has a plan for overcoming unemployment, you will understand the weight of my reaction to the CED proposals; and I doubt whether these proposals carry much conviction to the American people.

Aside from the very tragic consequences to labor of this immoral, if you please, state of unpreparedness, I believe that you, in your plants, may expect certain reflections in labor's attitude towards you as its employer.

First of all, in the forthcoming bargaining negotiations for those of you who are organized, I would suggest that you anticipate tightened seniority regulations. The man in the shop knows of no greater security than the protection of his seniority clause, and you will find that he will endeavor to tighten rather than to

---

*An address made by Mr. Fisher before the American Trade Association Executives in New York City, Nov. 9, 1944.

(Continued on page 2155)

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Railroad Securities

There has been a marked renewal of speculative and investment interest in New York Central securities following announcement at last week's directors' meeting of the call for redemption of the remaining balance ($24,337,800) of the Secured Convertible 3¼s, 1952 for Dec. 27. While redemption prior to maturity had generally been expected, it had been thought in many quarters that the call might be delayed until some time after the first quarter of 1945. This issue has been the focal point of the company's debt retirement program, in line with its policy of taking care of earlier maturities first regardless of price. The most recent report of open market purchases had shown an average cost to the company of over par.

Now that this issue will be out of the way there is considerable speculation in financial circles as to what course future debt retirement will follow. Heretofore longer term discount bonds have been virtually ignored in the retirement program even though purchase and retirement of such issues would have resulted in a more rapid reduction in interest costs than has been possible under the management policy. However, if any further material retirements are contemplated (there is every evidence that the management does desire to reduce debt considerably further) the nature of Central's remaining debt structure will make almost inevitable a change in procedure.

Taking the system as a whole, there is one nominal issue of $130,000 maturing next year (excluding equipments) and then nothing falls due until 1950. From 1950 to 1975, inclusive, there are aggregate non-equipment maturities of roundly $146,000,000. Theoretically this debt would afford wide scope for additional debt retirements. Most of the liens making up this total, however, are outstanding in small amounts—ranging from less than $500,000 to less than $5,000,000. Moreover, with the single exception of the $12,500,000 Toledo & Ohio Central 3¾s, 1960 not one of the non-equipment maturities between now and 1975 is callable for redemption prior to maturity. Finally, practically all of these liens are selling at, or above, par, and some at very substantial premiums. The only notable exception to this generalization is the Jamestown, Franklin & Clearfield 4s, 1959, which were outstanding as of the end of last year in the amount of less than $11,000,000. Considering call features, prevailing prices, and the size of most of the issues falling due between now and 1975, it is felt in many quarters that the company will soon have to stretch its buying program to the long maturities if any significant further progress is to be made.

If the company is going to alter the policy it has followed to date it is apt to go into the very long maturities. Allowing for retirement of the 3¼s, 1952, but not allowing for any open market purchases that may have been made in other issues this year, system non-equipment debt is indicated as $775,345,000. Of this, approximately two-thirds has more than 50 years to run to maturity. Much of this long-term debt is low-coupon (3½%) and by and large it is selling at relatively high prices. In some cases the low-coupon issues are selling at premiums. Obviously, then, there appears to be little incentive for broad debt reduction in this group.

On the basis of the above reasoning many rail men have come to the conclusion that the most logical step to look for is a start on the reduction of the Refunding & Improvement Mortgage series. Carrying coupons of 4½% and 5%, and maturing in 2013, these bonds are outstanding in the amount of more than $190,000,000. They have recently been selling in the neighborhood of 72 and 77, respectively. Another candidate might be the Consolidation 4s, 1998, outstanding in the amount of almost $69,000,000 and selling around 75. Rail men, visualizing the possibility of substantial company purchases of these bonds, have begun to think in terms of what similar activity has meant marketwise to such bonds as Northern Pacific 6s, Southern Railway Development & General 4s and Texas & Pacific junior mortgage 5s, all of which are classified as strictly second grade obligations.

Enhancement

Recent developments have enhanced in value Rock Island securities and the situation continues to offer attractive possibilities, according to a memorandum issued by Vilas & Hickey, 49 Wall St., New York City, members of the New York Stock Exchange. Copies of this circular and a calendar of the more important railroad events scheduled to come up in the next few weeks may be had from Vilas & Hickey upon request.

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Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Ave., New York 1, N. Y.

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Halsey, Stuart Group Offers $48,000,000 Central N. Y. Bonds

A nation-wide underwriting group headed by Halsey, Stuart & Co., Inc., is offering today $48,000,000 Central New York Power Corp. general mortgage bonds, 3% series due 1974, at 103% and accrued interest.

Net proceeds from the sale of the bonds, supplemented by other funds to be obtained from cash resources of the corporation or through borrowings, are proposed to be used toward the redemption of the following, on or about next Dec. 22: $43,000,000 general mortgage bonds, 3¾% series due 1962, at 104%, and $5,000,000 general mortgage bonds, 3½% series due 1965, at 104½%.

For the year ended June 30, 1944, operating revenues of the corporation were $33,794,063, and gross income, before interest and income deductions, was $5,355,744. Respective figures for the 1943 calendar year were $34,958,541 and $5,336,185, and for 1942 they were $30,964,297 and $5,557,696.

The outstanding funded debt of the Central New York Power Corp., as adjusted to reflect the present financing, consists of the 1974 bonds and five non-callable issues aggregating $11,918,400 of Northern New York Utilities, Inc., Syracuse Gas Co., Syracuse Lighting Co., and Utica Gas & Electric Co. Also outstanding are $25,158,400 of preferred stock, 5% series, and $33,283,950 of no par common stock. During the 1944 calendar year the company has already paid or called for redemption approximately $6,850,000 principal amount of its funded debt.

Central New York Power Corp. agrees that as long as any of the 1974 series bonds are outstanding it will pay, as a debt retirement fund, on or before each July 1 from 1945 through 1973, 1½% of the total principal amount of the 1974 bonds outstanding.

The bonds may be redeemed as a whole or in part, at prices ranging from 106% to par. The bonds are also subject to redemption in part through the operation of the debt retirement plan at prices ranging from 104½% to par. Accrued interest is to be added in each instance.

Situation Looks Good

Wellman Engineering Company offers interesting possibilities according to a circular issued by Wm. J. Mericka & Co., Inc., 29 Broadway, New York City, members of the Cleveland Stock Exchange. Copies of this circular may be had from the firm upon request.

Attractive Situations

Common and 6% cumulative convertible preferred of the American Bantam Car and Panama Coca-Cola offer attractive situations according to circulars issued by Hoit, Rose & Troster, 74 Trinity Place, N. Y. City. Copies of these circulars may be had from the firm upon request.

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Real Estate Securities

By JOHN WEST

Real Estate Board of New York Reports Increased Sales Activity

The November Bulletin of The Real Estate Board of New York, Inc., devotes a double page spread to charts, figures and text to show the comparative activity in the real estate field from 1939 through 1944. We have taken the high lights from this article as it confirms this column's previously expressed opinions as to the considerable uptrend. The following table is interesting:

September	No. of Sales	Total Considerations
1939	185	$7,342,809
1940	196	8,982,999
1941	209	9,659,459
1942	199	9,840,921
1943	364	20,729,361
1944	392	29,714,404
First Nine Months of	No. of Sales	Total Considerations
1939	1,994	$87,292,057
1940	1,984	98,920,250
1941	2,075	111,066,973
1942	1,835	105,868,847
1943	2,514	160,520,212
1944	3,626	284,009,824

September open-market sales of Manhattan real estate—392 for a total of $29,714,404—brought the aggregate number of sales and dollar volume of trading for the first three quarters of 1944 to levels approximately 50% above those for the same period of 1943. A general improvement in values is also indicated by the average percentage of assessed valuation reflected in prices.

In August, open market sales of Manhattan realty numbered 399 with prices totaling $32,655,574, and in July 392 Manhattan pieces were transferred by willing sellers to willing buyers for $34,649,526.

September sales average $75,800 each, as against an average of $81,800 for August, $88,400 for July, $78,300 for the year to date and $67,100 for all of 1943.

Private investors again predominated as vendors in September, disposing of 294 pieces for considerations that totaled $20,608,754.

During the ninth month the lending institutions divested themselves of 98 Manhattan pieces for considerations that totaled $9,105,650.

Inasmuch as the number of residential properties is far in excess of that of any other one type in the borough, the greatest number of sales were naturally found in that category, 289 residential pieces changing hands during September for prices that aggregated $19,644,058.

As in the previous month, the highest average percentage of assessed values was paid for loft properties. Forty-five loft buildings were sold during September for considerations that totaled $3,825,604.

In the office building field 20 pieces were sold for $3,639,017.

September's remaining 38 sales for prices totaling $2,605,725 were in the miscellaneous group—a category including garages, other specialties, vacant lots, or any property not in the three main types mentioned above.

Seaboard Of Interest

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting arbitrage circular on Seaboard Air Line Railway Co. Copies may be had from the firm upon request.

Gleaner Harvester Stk. Offered by Eberstadt

An underwriting group headed by F. Eberstadt & Co. on Nov. 10 offered 177,689 shares of common stock of Gleaner Harvester Corp. at a price of $18 a share. These shares do not represent new financing by Gleaner Harvester Corp. They were acquired from Commercial Credit Co., heretofore the largest stockholder of Gleaner Harvester, with 59% of the 300,000 shares of common stock outstanding. The company has no funded or bank debt or preferred stock authorized or outstanding.

The company, whose business was established in 1924, is an important manufacturer of combines used in the harvesting and threshing of wheat, rye, oats, barley, soy beans and certain other crops. The bulk of the company's products is sold through approximately 550 regular dealers.

According to the prospectus, net sales in the year ended Sept. 30, 1944, totaled $3,349,284 and net income, after provision for taxes on income, was $462,946. As of Sept. 30, 1944, current assets, including $2,018,308 cash and Government securities, aggregated $2,896,709, compared with total liabilities of $447,671.

Associated with F. Eberstadt & Co. in the offering are: E. H. Rollins & Sons; Central Republic Co., Inc.; Sutro & Co.; Bankamerica Co.; A. G. Edwards & Sons; Butcher & Sherrerd; Otis & Co.; The Ohio Co.; Reynolds & Co.; H. R. Baker & Co.; Alfred L. Baker & Co.; Cruttenden & Co.; Farwell, Chapman & Co.; First Securities Co. of Chicago; Hirsch, Lilienthal & Co.; Johnson, Lane, Space & Co.; Straus Securities Co.; Auchincloss, Parker & Redpath; Bingham, Walter & Hurry; Buckley Brothers; Coburn & Middlebrook; Courts & Co.; Johnston, Lemon & Co.; Metropolitan St. Louis Co.; Pacific Co. of California; Shuman, Agnew & Co.; Mason, Moran & Co.; Bond & Goodwin Inc.; J. C. Bradford & Co.; Francis I. duPont & Co.; Kay, Richards & Co.; A. M. Kidder & Co.; Clement A. Evans & Co., Inc.; Ferris, Exnicios & Co., Inc.; Mohawk Valley Investing Co., Inc.; Murphey, Favre & Co., and Nashville Securities Co.

Aircraft Stocks Undervalued?

Hare's Ltd., 19 Rector Street, New York City, in a brief survey of the industry, declares that aircraft stocks are presently undervalued. Copies of the survey, which indicates that the leading shares offer attractive speculative opportunities for post-war appreciation, may be had from Hare's Ltd. upon request.

The Serviceman's Readjustment Act

By J. ONLEY BROTT*

Asst. General Counsel, American Bankers Association

Attorney Explains Provisions of the "GI Bill of Rights" With Particular Reference to Rehabilitation Loans to Veterans. Points Out That Act Does Not in Any Way Supersede or Modify the National or State Banking Laws and Therefore the Legal Restrictions Placed Upon the Lending Powers of Banks, Particularly in Relation to Real Estate Loans, Remain In Effect, Though the Comptroller of the Currency and Several State Banking Authorities Have Issued Rulings or Adopted Provisions to Remove or Ease Some Legal Obstacles.

J. Onley Brott

Although the major portion of this discussion will be devoted to the guaranteed loan provisions of the Servicemen's Readjustment Act of 1944, popularly known as the "GI Bill of Rights," let me first describe briefly the other benefits provided under this Act.

In addition to the guaranteed loans the Act provides educational and training benefits and unemployment benefits.

The educational benefits make it possible for any veteran who was 25 years of age or younger at the time he entered the service to pursue a course of educational training at Government expense for a maximum of four years at any school or college of his choice and also to receive a subsistence allowance from the Government while pursuing such course. The maximum amount which may be provided by the Government for tuition, books, etc., is $500 a year and the subsistence alllowance is $50 a month or $75 if the veteran has dependents. Any veteran, regardless of age, is entitled to take a one year's refresher or retraining course.

The unemployment benefits entitle an unemployed veteran to receive $20 a week for a maximum of 52 weeks within two years after the discharge of the veteran, or two years after the termination of the war, whichever is later, and if the veteran is self-employed, he is entitled to receive the difference between his net earnings and $100 a month in any month in which his net earnings are less than that amount, the maximum

(Continued on page 2156)

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*An address made by Mr. Brott before the Savings and Real Estate Mortgage Conference sponsored by the Savings Division of the American Bankers Association, Atlanta, Ga., on Nov. 10, 1944.

Price Policies for Reconversion Period

By DANIEL P. WOOLLEY*

Regional OPA Director, New York City

OPA Official, After Urging Continuation of Cooperation Between Industry and Government, Lays Down Following Five Objectives of Reconversion Price Policies: (1) Must Hold the Line Against Inflation; (2) Must Not Interfere with Capacity Production; (3) Must Be Easy and Quick to Apply; (4) Must Not Force Down Wages; and (5) Must Protect Farmers Against the Squeeze Between Rising Costs and Declining Farm Prices.

Daniel P. Woolley

I welcome this opportunity to speak before the American Trade Association Executives. I want to picture for you, as representatives of a broad cross-section of American industry and American business, some outstanding examples of how industry and the Office of Price Administration have been able to work out mutual problems in many fields.

I would like to outline the policies that will guide us as we convert from war to peacetime production and the vital part that industry will have in this program.

Not only we in OPA, but practically every industry and every citizen owes a debt of gratitude to the trade associations. They have been of untold help to us as a liaison to the thousands of businesses they represent. Through the cooperation of trade associations our difficult job of preventing a disastrous inflation has been made easier during the past two and a half years when the upward pressures on prices have been the greatest in the history of the nation.

Because arguments between business and government agencies usually make better news stories than reports of progress, a casual reading of newspapers and trade journals would seem to indicate that industry and OPA are at times in disagreement. Nothing could be further from the truth. From my own experience, I want to say that business and the OPA have learned to work closely together. In traveling through the new and uncharted territory of price controls, we in the OPA had no signposts to guide us. It is little wonder, then, that in the early hectic days when we had to move fast we made mistakes—many of them. At other times, there were delays and irritations. But the further we progressed in our task of administering prices, rents and rationing, the more we came to appreciate the assistance given us by businessmen and industrialists with specialized knowledge and training in their highly technical fields.

We have set up 500 industry advisory committees to consult with and advise us about matters in practically every industry af-

(Continued on page 2157)

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*An address made by Mr. Woolley before the American Trade Association Executives at the Hotel Pennsylvania, New York City, Nov. 9, 1944.

NOTICE

To the holders of

CENTRAL PACIFIC RAILWAY COMPANY

First Refunding Mortgage 4% Gold Bonds, due August 1, 1949

(Guaranteed by Southern Pacific Company)

The Offer of Exchange, dated October 24, 1944, addressed to the holders of the foregoing bonds, by the Central Pacific Railway Company, to exchange therefor, Central Pacific Railway Company First and Refunding Bonds, Series A (guaranteed by Southern Pacific Company), to be dated August 1, 1944, to mature August 1, 1974, to bear interest at the rate of 4¼% per annum from August 1, 1944, to August 1, 1949, and thereafter at the rate of 3½% per annum, was declared operative by the Board of Directors of the Central Pacific Railway Company on November 14, 1944, subject to the obtaining of necessary approvals by the Interstate Commerce Commission. The Offer of Exchange will be kept open to and including December 15, 1944, or to whenever $50,000,000 of First Refunding Mortgage 4% Gold Bonds, due August 1, 1949, shall be offered for exchange, whichever is earlier.

Notice will be given shortly to holders who have transmitted their bonds for exchange, under the Offer of Exchange, as to when temporary Bonds of Series A will be issued.

For terms of the new bonds and the provisions with respect to the exchange, reference is made to the Offer of Exchange, copies of which have been sent to all known bondholders. Additional copies may be obtained at the office of

Kuhn, Loeb & Co.,
52 William Street, New York 5, N. Y.

and at the following offices of Southern Pacific Company:

Room 2210, 165 Broadway,
New York 6, N. Y.

Room 662, 65 Market Street,
San Francisco 5, Calif.

Room 1020, 310 South Michigan Avenue,
Chicago 4, Ill.

SOUTHERN PACIFIC COMPANY
CENTRAL PACIFIC RAILWAY COMPANY

REDEMPTION NOTICE

To the Holders of

LOUISVILLE AND NASHVILLE RAILROAD COMPANY

Unified Mortgage 4% Bonds with Extension Agreements of Series B due January 1, 1960 attached

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Supplemental Indenture dated January 1, 1940 between Louisville and Nashville Railroad Company and Central Hanover Bank and Trust Company, as Trustee, supplemental to Unified Mortgage dated June 2, 1890 from Louisville and Nashville Railroad Company to Central Trust Company of New York, as Trustee, the undersigned has elected to redeem out of unexpended Sinking Fund monies on deposit with the Sinking Fund Agent and does hereby call for redemption and payment on January 1, 1945, $165,000 principal amount of bonds as indicated below at 104% of the principal amount thereof and accrued interest on the principal amount to the date of redemption. The serial numbers of the bonds to be redeemed have been drawn by lot by Central Hanover Bank and Trust Company as Sinking Fund Agent, and are numbered as follows:

Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form in the denomination of $1,000 each, all prefixed with the letter B

163 268 446 515 833 1360 1487 1822 1880 2308 2776
2789 2803 2998 3490 4148 4196 4297 4561 4812 5087 5212
5478 5690 5854 5917 6148 6201 6220 6234 6484 6794 6796
6851 7377 7688 8355 8721 8749 9120 9173 9200 9241 9283
9342 9489 9589 9694 9788 10095 10477 10622 10624 10625 10626
10788 11191 11264 11308 11571 11796 12070 12558 12669 13037 13075
13112 13594 13601 13928 14021 14125 14140 14161 14197 14507 14655
14692 14873 14923 14991 15426 15482 15735 15780 15811 16005 16101
16442 16513 16554 16596 18200 18510 18563 18687 18774 18962 19123
19180 19449 19547 19583 19897 20026 20028 20035 20235 20366 20398
20418 20787 21353 21397 21398 21606 21776 21844 22085 22243 22327
22486 22888 23225 23231 23289 23300 23303 23370 23487 23713 23987
24547 24661 24695 24768 25161

Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form without coupons

BX 39	$10,000	BM 14	$1,000	BM 122	$1,000
BV 29	5,000	BM 15	1,000	BM 662	1,000
BM 11	1,000	BM 16	1,000	BM 681	1,000
BM 12	1,000	BM 17	1,000	BM 682	1,000
BM 13	1,000	BM 18	1,000	BM 683	1,000

On January 1, 1945 the above described Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form in the denomination of $1,000 each, and the Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form without coupons, will become due and payable at 104% of the principal amount thereof and accrued interest on such principal amount to the date of redemption at the office of the undersigned, Room 900, 71 Broadway, New York City 6, New York, and interest on said Bonds so called for redemption will cease to accrue from and after said date. Said Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form should be presented for redemption and payment at said office of the undersigned on January 1, 1945 accompanied by the interest coupons maturing July 1, 1945 and all subsequent coupons. The coupons due January 1, 1945 appurtenant to said Unified Mortgage 4% Bonds with Extension Agreements of Series B attached called for redemption should be presented for collection in the usual manner. The Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form which have been called for redemption should be presented in negotiable form.

On November 8, 1944 Bonds bearing the following distinctive numbers of the above issue previously called for redemption had not been presented for payment:

BOND NUMBERS

B3532, B3566, B3567, B4273, B9784, B19386, B19470, B20259, B20297, B25172, B25220

LOUISVILLE AND NASHVILLE RAILROAD COMPANY
By: W. J. McDonald, Vice-President

DATED: November 10, 1944.

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number sixty-one of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

It *Shall* Happen Here!

He was an office boy, before the war, in Schenley's Cincinnati offices. Now he is a lieutenant in the Army. He expects to come back to Schenley, after the job in which he is presently engaged is finished.

But you can wager all the tea that was in China, that he won't come back as an office boy. This young man has learned something. His Army experience has given him a post-graduate course, and both he and we are going to take advantage of the undoubted, new qualifications he possesses.

Yes, you will find him back at Schenley—soon, we hope. And when he comes back he will be tested for vocational aptitude, and then placed in a position where he can be happiest and where he can continue to expand.

Certainly in the past three or four years there has been a growing pessimism and discouragement regarding human progress. But of late we have visited with top managements in a number of important American industries and it is refreshing and encouraging to find that almost without exception these men are kindled with a sincere desire to restore human equilibrium, which has been so badly dislocated by this latest and most devastating of all wars. And we have noted too that management realizes full well that loyalty and efficiency on the part of employees must be earned; that the welfare of workers is an important yard stick for the measurement of true commercial success.

Our first obligation, when peace comes again to the world, is to prove by deeds rather than words, to the lads and lasses who went to war, that selling apples on street corners will never be countenanced or repeated in America—ever again!

MARK MERIT
of Schenley Distillers Corp.

FREE—*Send a postcard or letter to Schenley Distillers Corp., 350 Fifth Ave., N. Y. 1, N. Y. and you will receive a booklet containing reprints of earlier articles on various subjects in this series.*

The "Key Nation" Approach to Problem of Currency Stabilization

(Continued from first page)

are those in which international trade is commonly conducted and, at the present time, consist of the British pound sterling and the American dollar.

The problem then becomes that of setting forth the prerequisites of dollar-pound stabilization. These are three in number:

1. The elimination of the war debt problem between the United States and the United Kingdom.

This involves the cancellation of World War I debts, the repeal of the Johnson Act of 1934, and a generous settlement on the part of this country of the net amount due on Lend-Lease obligations.

2. The reduction of trade barriers between the United States, the United Kingdom and the other members of the British Commonwealth of Nations.

Immediate conversations between these nations should take place relative to such problems as tariff barriers, imperial preference, export subsidies, bulk purchasing and regional currency arrangements.

3. Following a successful conclusion of the proposed trade conference, the United States should be prepared to extend to the United Kingdom a grant in aid, as a form of retroactive Lend-Lease, to cover her immediate post-war import needs.

The amount involved may come to $3,000,000.

In these suggestions I have incorporated no plan for the conversion of blocked sterling balances into dollars. The reasons are twofold. First, British officials have stated that England can handle, and plans to handle, this problem itself. Second, I doubt whether, in view of the extent of the Lend-Lease contribution of the United States to the mutual war effort and in view of our own probable financial condition in the post-war period, the American people would be willing to assume the burden of the blocked balances.

If the three measures I have suggested are carried out and if England succeeds in funding the blocked accounts into long-term obligations, the dollar-pound rate can be stabilized successfully and England can avoid multiple and regional currency arrangements and exchange controls.

The determination of the precise rate to prevail between the dollar and the pound may require a period of experimentation. Once a rate has been agreed upon, American business men would view with misgivings any later change. They are convinced that, in the furtherance of world trade and commerce, it is extremely important that key exchange rates remain unaltered.

In these remarks I have assumed that the dollar is a fixed quantity to which other currencies can be related. The dollar, of course, will not be on a firm basis unless inflation is checked in the United States. This involves the balancing of the Federal budget, a refunding of the floating debt, an unpegging of interest rates, and the severing of commercial banks from Federal debt financing. If inflation is checked, we can doubtless revert to gold redemption on the basis of the present mint price of gold.

In essence, the "key nation" approach involves the stabilization of the dollar-pound rate first. It is the *sine qua non* of world monetary stabilization. Once that rate has been stabilized, immediate attention can be given to the stabilization of other currencies. Many countries possess a sufficient supply of gold, or of dollar or sterling exchange, so that the stabilization of their exchange rates in terms of dollars or pounds will not prove a difficult problem. Other nations, less fortunately situated, may have to borrow abroad to obtain currency reserves.

The "key nation" approach is a specific approach to the problem of currency stabilization, as opposed to the global approach of the Bretton Woods plan for an International Monetary Fund. It recognizes the fact that the currency problems of nations differ from one another and that separate solutions are needed in each instance. The "key nation" approach maintains that loans should be granted for specific projects of economic merit. It is opposed to the automatic granting of credits provided for in the Bretton Woods proposal, in which credit quotas bear no relationship to credit needs.

Above all, the "key nation" approach gives emphasis to the fact that the basic requirement for currency stabilization is the removal of trade barriers. The United States must not repeat the mistake committed after the last war when tariff rates were not only not lowered but actually raised. We failed to realize that exports of capital and commodities can only be paid for in commodity imports. For a time, fundamental economic forces were held in abeyance. In the decade of the 'Twenties, we exported against private loans. In the decade of the 'Thirties, we exported against gold imports. This experience demonstrated that loans cannot be repaid unless debtors have access to our markets, and that gold imports, instead of increasing our real wealth and making for a higher standard of living, give rise to many difficult problems in the fields of monetary policy and credit control. Problems of commercial policy, therefore, demand immediate solution. The Bretton Woods proposal for an International Monetary Fund seems but an attempt to avoid or to postpone the solution of these basic problems.

The Boston Forum on Open-End Inv. Cos.

BOSTON, MASS.—On Dec. 7, 1944, Vance, Sanders & Co., 111 Devonshire Street is sponsoring the first of a series of annual Forums having to do with matters of general interest in the investment company business.

During the last 20 years, the "Boston-type" or "open-end" investment companies have achieved an important place in the financial community. At the present time, there are some 68 "open-end" investment companies with total assets amounting to over $770,000,000. Vance, Sanders & Co. believes that through a series of Forums many people who are not actively engaged in the investment company business may become better acquainted with the investment problems and objectives of the business, and, in turn, those in the investment company business may benefit by an exchange of ideas with others whose problems are also essentially the management of money.

The Forum to be held this year will deal with what seem to be two very timely subjects. Mr. Thomas H. Beacom, Jr., Vice-President of the First National Bank of Chicago, will speak on "The Problem of Supervising the Small Trust Account." Mr. Mayo Adams Shattuck of Boston, one of the recognized authorities in the country on trustee practice, formerly President of the Massachusetts Bar Association and author of "Loring a Trustee's Handbook, Shattuck Revision," will also speak on "The Legal Aspects of the Use by Fiduciaries of Shares of Investment Companies in Their Trust Accounts." A general discussion will follow Mr. Shattuck's speech.

The Hawthorne Room at the Parker House, Boston, has been reserved for the Forum for 2:30 p.m., on Thursday, Dec. 7.

AIB Alumni Group to Hold Annual Dinner

The Alumni Association of New York Chapter, American Institute of Banking, will hold its annual dinner-meeting on Friday evening, Nov. 17, at the Town Hall Club, New York City, it was announced by E. LeRoy Squire of the Williamsburg Savings Bank and President of the Association. William S. Vanek of the Manufacturers Trust Co. is Treasurer of the Dinner Committee.

N Y Analysts to Hear

At their luncheon meeting scheduled for Wednesday, Nov. 22, the New York Society of Security Analysts will hear Louis Ruthenburg, President of the Servel Corporation, discuss Servel and its participation in post-war refrigeration and air conditioning. The meeting will be held at 56 Broad Street at 12:30 p.m.

The Society also announces that those who missed the talk by Clifford E. Paige on Brooklyn Union Gas may secure copies while they last by writing to him at the company's office.

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Michigan Brevities

Directors of the National Bank of Detroit have approved the transfer of $7,500,000 to surplus account, thus increasing the bank's loaning maximum to $3,750,000 to any one borrower. In announcing the action, Chairman Walter S. McLucas said:

"This places us in a position to make additional funds available to business and industry, not only for reconversion, but for peacetime business as an essential part of maintaining high levels of production and employment."

As a result of the transfer, the bank's setup will be as follows: $8,500,000 preferred stock; $10,000,000 common stock; surplus $19,000,000, and undivided profits of $4,227,979, all based on Oct. 31 figures when the bank's statement showed total capital, surplus and undivided profits of $41,727,979.

* * *

Denizens of Griswold—Detroit's counterpart of Wall Street—were shocked and not a little distressed when they accepted literature from pretty girls at building doorways, who proved to be representatives of the CIO's Political Action Committee.

Bankers here, who have feared an invasion by the CIO, were particularly upset, believing that an organizational drive was in the making. However, it was only election campaigning and there has been no sign of the union at work in this area since then.

* * *

Listing of the new Hurd Lock stock on the Detroit Exchange went into effect last week. The new stock, created as a result of stockholder approval of a recapitalization plan, is $5 par and there are 200,000 shares outstanding. Originally, there were 1,000,000 shares of $1 par.

* * *

In the banking scene, the retirement of B. C. Schram, for many years receiver of the defunct First National Bank of Detroit, was a highlight.

Mr. Schram, who did an outstanding job in handling the world's largest bank receivership by paying depositors 100 cents on the dollar, plus 7½ cents in interest, was honored at a testimonial dinner. Among those in attendance were prominent bankers and businessmen and representatives of the Comptroller's office in Washington.

* * *

G. H. Zimmerman, Chairman of the Board of Michigan Bank, announced that arrangements have been completed for occupancy of the first two floors of the building on the north east corner of Woodward and Congress St., one block south of City Hall. This building has been known for many years as the Guaranty Trust Building, but its name will now be changed to the Michigan Bank Building.

At present the executive offices and downtown branch of the Michigan Bank are maintained in the United Artists building. Further service is provided through three branch offices. Under present plans the Michigan Bank expects to occupy the new quarters about March 1, 1945.

* * *

H. V. Sattley & Co., Inc., in association with Crouse, Bennett, Smith & Co., and Miller, Kenower & Co., Inc., purchased the recent new issue of $190,500 City of Centerline, Mich., refunding bonds at an interest cost of 2.837%. The bonds, which are general obligations of the community and payable from unlimited taxes, are being reoffered by the group to yield from 1.25% to 2.75%.

* * *

Harold R. Chapel, of Crouse, Bennett, Smith & Co., was elected Chairman of the Michigan Group of the Investment Bankers Association of America at the unit's annual meeting in the Detroit Athletic Club.

Mr. Chapel, who has been active in the IBA for a number of years, is also Secretary of the Security Traders Association of Detroit and Michigan, and Past President of the Bond Club of Detroit and of the Michigan Municipal Advisory Council.

Other officers named by the IBA included William Moore of McDonald, Moore & Co., as Vice-Chairman; Harry E. Thurston of Watling, Lerchen & Co., Secretary and Treasurer, and Oscar L. Buhr, Vice-President of the Detroit Trust Co., Wm. C. Roney of W. C. Roney & Co., and Cyrus H. King of Merrill Lynch, Pierce, Fenner & Beane, Directors.

* * *

The Security Traders Association of Detroit and Michigan are holding their annual fall dinner meeting at the Penobscot Club on Nov. 17, 1944, with Edward E. Parsons, Jr., President of the National Security Traders Association, as principal speaker. Mr. Parsons is a partner of W. J. Mericka & Co. of Cleveland. R. C. O'Donnell is in charge of arrangements.

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OUR REPORTER'S REPORT

The investment banking industry, clearing away the last of an amazing six weeks' total of new offerings, was rolling up its sleeves this week and preparing again to enlist in the Treasury's Army for the duration of the Sixth War Loan Drive, which opens next Monday.

Fourteen billions is the nationwide goal set, and these fellows who make a business of selling securities are more confident than ever that they will be able to ring the gong on the quota set for their contingent.

Coming down to the line for the new War Loan drive, the industry had behind it a remarkable in-between job done in the marketing of new corporate and municipal securities.

And to add to their ardor for the huge task ahead, the last few days brought announcement of the winding up of several groups which had handled certain of the larger recent issues and the turning of these bonds loose on their own.

That a good job of placing such issues had been done was evident from the free market quotations prevailing after the closing of the syndicates.

Koppers Co. 3s, for example, which were offered at 102 were quoted at 101⅜ bid, 101¾ offered, while the recent California-Oregon Power loan, brought out at 102.86, was quoted 102 bid and 102½ asked.

Burlingtons in Demand

Meanwhile some of those participating in the recent marketing of Chicago, Burlington & Quincy's $40,000,000 of first and refunding 3¾s reported a renewed burst of demand for that issue with indications that it was clearing up in good style.

But here again, as in other instances not too remote, it developed that the distributing dealers were doing a better job than the underwriters with estimates putting their sales ratio at about two-to-one.

Certain of the underwriters were quick to give credit where credit is due and to point out the advisability of maintaining good dealer relations. Given an adequate commission, they contended, the dealers could find the purchasers and deliver the goods.

Two Last Big Ones

This week brought to market the two last big deals in advance of Mr. Morgenthau's next drive for war funds. And in sale through competitive bidding both issues developed satisfactory competition.

Houston Lighting & Power Co.'s $30,000,000 first mortgage loan brought out three bids all of which were extremely close with high bid made at 101.76 for a 2⅞% coupon. The successful group brought the bonds to market yesterday at a price of 102½ and last accounts showed a brisk demand with several large insurance companies taking substantial blocks.

The larger undertaking, Central New York Power Corp.'s $48,000,000 of general mortgage 3%s. likewise brought out three bidding groups, and the spread among them was greater running to about ⅝ths of a point between the top bid of 102.30 and the next bid of 101.6567.

On the market today, priced at 103, this issue was looked upon as a bit of a selling proposition, although active inquiry was reported around in wake of the award by the company.

Groans and Moans

It will not detract from their efforts to help the Treasury place the 14 billions of new war bonds set as its next goal, but some of the boys left off their regular work with a full realization that during their absence new groups will be forming to go after prospective issues to follow the war loan.

This means, they observed, that they will come back to their tasks with a job already ahead of them of trying to catch up on the other fellow.

And already several sizeable undertakings are in prospect and groups forming. Several are ready to go after South Carolina Power Co.'s potential $9,000,000 of refunders. And others are prepared to bid for 2,154,400 shares of Northern Indiana Public Service Co. common shares which Midland Utilities Co. may sell toward the year-end.

A third prospect, already the center of bids from at least three groups, is Central Maine Power's probable refinancing of its $20,000,000 outstanding preferred through the medium of a new senior stock issue.

American Hardware Corp.
Scovill Manufacturing Co.
Torrington Co.
Conn. Light & Power Co.
Connecticut Power Co.
United Illuminating Co.

Markets and memoranda on these Connecticut companies available on request

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Connecticut Brevities

On January 1, 1945, the Trumbull Electric Manufacturing Co., of Plainville, manufacturers of electric control apparatus, will be taken over by General Electric Co. Owner of 75% of the Trumbull stock for the past 25 years, General Electric has now purchased entire stock interest. This $2,500,000 concern is an outgrowth of a business established in 1899 by John and Henry Trumbull, Frank T. Wheeler and Stanley S. Gwillim with pooled resources of $2,000.

* * *

Billings and Spencer reported net income of $157,391 for the 28 weeks ended July 15, 1944, against $200,146 for the corresponding period in 1943. On a per share basis, results were 85¢ and $1.08, respectively.

* * *

With the payment of a $2 divident to stockholders on Dec. 15, arrears on the Hartman Tobacco $4 prior preference stock will be cleared up.

* * *

For the nine months ended Sept. 30, 1944, Bridgeport Brass Co. reports net income of $748,087 against $1,099,880 for the corresponding period in 1943. Earnings per common share were 70¢ and $1.06, while preferred earnings were $35.58 and $47.46, respectively.

These figures are based on 21,023 preferred shares outstanding in 1944 and 23,175 shares in 1943.

* * *

Total operating revenues of the New York, New Haven & Hartford Railroad were $137,932,762 for the nine months ended Sept. 30, 1944, as compared with $134,417,657 a year ago. Net income was $11,276,379 and $19,336,366, respectively. The lower net this year was due to considerably increased maintenance and transportation expenses.

* * *

The Connecticut General Life Insurance Co. of Hartford is the first to make available full life insurance coverage to passengers on this country's air transport lines anywhere in the world without extra premium. The excellent record of the airlines justifies this broadened coverage. Premiums will be liberalized for pilots and crew members of these lines and other commercial and private pilots will be eligible for life insurance.

* * *

After depreciation and Federal taxes, the Bigelow-Sanford Carpet Co. showed net profit of $713,118 for the first nine months of this year, which compares with $241,531 for the third quarter in 1943. After preferred dividends, earnings per share on the common stock were $1.89 against 39¢.

Sales for the period were $29,142,952, which represents an increase of 5.4% over the first nine months of last year. War orders continue to account for roughly 70% of the total production.

James DeCamp Wise of the law firm of Wright, Gordon, Zachry, Parlin and Cahill of New York, has been elected President of the company to succeed the late John A. Sweetser. Mr. Wise has been General Counsel for Bigelow-Sanford for the last 12 years, a member of the Board of Directors since 1939, a member of the Executive Committee since 1940, and is presently serving as its Chairman.

* * *

The following issues have been added to the List of Legal Investments for Connecticut Savings Banks:

Chesapeake & Ohio Railway Co., Fifth Equipment Trust 1¾s, due serially to Oct. 1, 1954; Metropolitan Edison Co. first mortgage 2⅞s, due Nov. 1, 1974; Narragansett Electric Co. first mortgage series A 3s, due Sept. 1, 1974; New Haven Water Co. general and refunding series D 2¾s, due Nov. 1, 1974; Pacific Gas & Electric Co. first and refunding series L 3s, due June 1, 1974, and Philadelphia Electric first and refunding 2¾s, due Nov. 1, 1967, and first and refunding 2¾s, due Nov. 1, 1974.

Six issues were removed from the list because of redemption.

* * *

For the nine months ended Sept. 30, 1944, the Connecticut River Power Co. showed net profit of $932,306 after Federal taxes of $418,000. A year ago net was $955,029 after Federal taxes of $320,000.

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Bernstein Commends Bretton Woods Plan

(Continued from page 2134)

safeguard their economic future and the standard of living of their people.

"This proces of post-war reconstruction," Dr. Bernstein continued, "is of the utmost importance. It can be made a long-drawn out process, each country struggling to lift itself by its bootstraps. It can be made with less difficulty—but not without some hardships — through cooperation among the United Nations.

"What I fear is that in the post-war period, the spirit of international cooperation may be lost, and countries will be forced to re-establish themselves in the post-war economy by whatever means they have at hand. Make no mistake, there are countries that will be in desperate need of finding foreign markets, countries that will be in desperate need of imports, countries that cannot recover unless capital is available from abroad for the process of reconstruction.

"If countries are forced to make their way out of the post-war difficulties without help and without encouragement they may have no other choice but to use what means they have at hand. They wil resort to every restrictive and discriminatory policy on trade and finance that offers them temporary relief. They will return to the bilateral clearing arrangements, the multiple currency practices, the competitive exchange depreciation, and the blocked currencies that characterized the pre-war decade.

"If this is what the world does, we shall have a world of economic depression. Such policies may bring temporary relief, but their ultimate effect is to spread depression from country to country. We shall have a world of economic aggression and economic disorder. Countries that are desperate will not trouble to pick and choose their economic policies to make sure that they conform to the principle of good neighbors. And if we have a world of economic aggression and disorder, patterned on the policies of the 1930's, it may end once again as it did before in war.

"Those who seek peace with the fervor of religious devotion, and that includes all of the United Nations, cannot permit this calamity to develop. Just as we must strive for a peaceful world, so we must strive for a prosperous world in which all countries can look forward with confidence to working out their economic destiny."

Dr. Bernstein next took up the question of this country's stake in preserving a peaceful world.

"I think," he rmearked, "quite apart from our determination to establish a peaceful world, that we have a great stake in the world economy from the point of view of our own people.

"Our primary economic objective in the post-war period will be to see that there are productive jobs for all—60,000,000 jobs. People who have fought and worked from democracy and freedom will want to know why we cannot produce for peace as we have for war, why we cannot divert our output of guns and planes to make goods for consumption, to raise the living standards of our people, and goods for investment to continue the industrial progress we made during the war.

"That is what we shall want, and it is what people will want in other countries. I think governments everywhere are going to see that they get it. I have every hope that we shall do this in this country by providing jobs in private industry, because those are the jobs that count, those are the jobs that people want.

"The measures we take to provide high levels of employment, rising standards of living, will have to be largely of a domestic character. But we shall have less difficulty in attaining this policy if we can maintain our exports, if we can provide ourselves with the imports we need for our industries, and if we can find productive outlets for investment abroad. Think what it would mean to this country if we could export $10 billion a year of industrial and agricultural products during the next decade. Directly, it would mean 3,000,000 jobs in industry and a foreign market for the output of 1,000,000 agricultural workers. But we can export so much only if we import about $8 billion a year in goods and services for our industries and for our consumers; and if we invest abroad about $2 billion a year in those countries in need of capital for reconstruction and development.

"I think we can say that if the world could maintain a level of trade of about $80 billion a year in the post-war decade, the chances for establishing a balanced world economy would be quite good. And we and all other countries would find that the measures they take for maintaining high levels of employment and rising standards of living are more likely to succeed, because we would be free of the danger of depression imposed upon us by other countries following restrictive measures and spreading depression from country to country.

"Can the world attain such levels of international trade and investment? I think it can. In the 1920's the average volume of merchandise trade was about $65 billion a year. In the 1930's the average volume was about $40 billion a year, although much of the decrease was due to price falls. After the war, the industrial capacity, or at least the industrial potential of the world will be far larger than it has ever been before. I cannot see why it should not be possible to reach $80 billion a year in trade, if countries pursue domestic policies for expansion, relax the barriers to trade, and maintain stable and orderly exchange arrangements.

"We cannot expect to see a balanced expansion of international trade or adequate international investment, if countries maintain fluctuating exchange rates, if they depreciate their exchanges to secure temporary competitive advantages, if they restrict exchange transactions for current trade, and if they block the proceeds of international investment. Given orderly, stable and free exchanges, other measures can be taken to assure a balanced expansion of trade and investment."

Referring to his third proposition, that the solving of monetary and financial problems are an international responsibility, Mr. Bernstein commented:

"International monetary and financial problems are an international responsibility and can be solved only by international cooperation. We have seen what happens when countries act by themselves at cross purposes. The result must be the disorder and the aggression of the 1930's. Are we ready now to act together? The United Nations have shown that they are.

"The Bretton Woods agreements are the result of three years of preparation and two years of discussion among the technical experts of 30 countries. They have been discussed at great length in every successive stage of their development."

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Missouri Brevities

Sixth War Loan Drive

The Sixth War Loan Drive will get under way Nov. 20 in St. Louis with local securities dealers determined to quickly reach and surpass their goal of $15,608,100, which is 10% of the $156,081,000 total assigned to the metropolitan St. Louis area by the Treasury Department. In this drive every dealer will be free to solicit orders from all classes of buyers except large corporations, banks and trust companies. No cards or names will be assigned to individual salesmen unless requested. St. Louis dealers have already committed themselves for nearly the full amount. The program is in charge of the following who are designated as **"Syndicate Managers": Dumont G. Dempsey, E. Ken Hagemann, Louis J. Nicolaus, Joseph G. Petersen, Elvin K. Popper and Jerome F. Tegeler.**

Security Traders' Party

The annual election dinner and installation of officers of the Security Traders Club of St. Louis was held at the Coronado Hotel Nov. 9 at 7 p.m. The newly elected **President, Joseph G. Petersen** of **Eckhardt-Petersen & Co.,** addressed the members and introduced **Edward E. Parsons, Jr., of Wm. J. Mericka & Co., Cleveland, President of the National Security Traders Association.**

St. Louis Public Service Refunding

Plans for refunding the outstanding first mortgage 5s, due 1959, of the St. Louis Public Service Co., are understood to be proceeding rapidly. Details of the proposed new loan have not been made public but are expected to include a total of $6,000,000 bonds at an interest cost to the company of slightly less than 3%. Balance of the $7,637,200 of bonds outstanding would be retired from treasury cash. Reflecting these developments St. Louis Public Service incomes have moved up to a new high of 75 compared with a low this year of 60½.

Recent Underwriting Activities

Several Missouri dealers were members of the underwriting group headed by **W. C. Langley & Co.** of New York, offering $16,981,000 Potomac Edison first and collateral trust 3s, 1974, at 102½. Included were **Metropolitan St. Louis Company, I. M. Simon & Co.** and **Stifel, Nicolaus & Co., Inc.**

Mellon Securities Corp. of Pittsburgh headed an underwriting group offering $23,000,000 first mortgage 3s, 1964, and $11,400,000 serial notes of Koppers Company and 150,000 shares 4¾% cumulative preferred and 200,000 shares of common stock of Koppers Company, Inc. St. Louis dealers included **Reinholdt & Gardner** and **Stifel, Nicolaus & Co., Inc.**

Shields and Company of New York offered 120,000 shares of Wyandotte Worsted Company $5 par common at $11 per share. **Friedman, Brokaw and Samish** and **Reinholdt & Gardner** were among the underwriters.

F. Eberstadt & Co. of New York headed the underwriting group, including **A. G. Edwards and Sons** and **Metropolitan St. Louis Company,** which offered 177,689 shares of Gleaner Harvester Corp. common at $18 per share.

National Candy Earnings

National Candy Company had net income (exclusive of post-war credit) for the third quarter this year of $264,496, or $1.19 per share, compared with $273,807, or $1.25 per share, on the same basis a year ago.

Houston Lighting Bds. Offered by Dillon Read

An underwriting group headed by Dillon, Read & Co., offered Nov. 15 $30,000,000 first mortgage 2⅞% bonds, due 1974, of Houston Lighting & Power Co., at a price of 102½ plus accrued interest. The Dillon, Read group was awarded the issue at competitive sale Nov. 13 with a bid of 101.76.

Net proceeds of this financing will be applied to the redemption at 105 and accrued interest of $27,500,000 Houston Lighting & Power Co. first mortgage bonds 3½% series, due 1966. The remaining balance of the net proceeds from the sale of the new 1974 series bonds will be added to the working capital of the company.

Giving effect to the present financing, the company will have outstanding $30,000,000 first mortgage bonds 2⅞% series, due 1974, 97,397 shares of $4 cumulative preferred stock and 517,999 of common stock.

Associated with Dillon, Read & Co. in the offering are: A. C. Allyn & Co., Inc.; Baker, Weeks & Harden; Bear, Stearns & Co.; Dallas Union Trust Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Hemphill, Noyes & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; W. C. Langley & Co.; Laurence M. Marks & Co.; Paine, Webber, Jackson & Curtis; Rauscher, Pierce & Co., Inc.; Reynolds & Co.; Riter & Co.; E. H. Rollins & Sons Inc.; L. F. Rothschild & Co.; Salomon Bros. & Hutzler; Tucker, Anthony & Co., and White, Weld & Co.

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Post-War Municipal Bond Yields And the Future of Interest Rates

(Continued from page 2131)

increase in the general level of interest rates.

Over the past 12 years yields on high-grade State and municipal bonds have dropped from rather generous levels almost to the vanishing point. More specifically the "Bond Buyer's Index" of yields on 11 high-grade municipals, recently at 1.30%, has traveled almost three-quarters of the way to zero from the 4.90% yield prevailing on May 1, 1933. The investment necessary to produce a $10,000 annual tax-exempt income in these 11 credits for many years was reasonably close to a quarter of a million dollars. Now three times this investment is required, as shown in the following table:

1895	*$271,000
1900	*308,000
1905	*287,000
1910	256,000
1915	233,000
1920	201,000
1925	244,000
1930	246,000
1935	333,000
1940	454,000
Nov. 1, 1944	752,000

*20 bond index.

The average prevailing in 1935 was the lowest on record up to that year, but investment of a given sum in the 11 municipals now will produce only 44% of the income obtainable at the 1935 level.

In 1929, an investor could have purchased at about par a high-grade 4¼% municipal bond due in 1964. After receiving 4¼% tax-exempt income for 15 years, the investor could today dispose of this investment with its 20 remaining years of life at a price some 40 or 50% in excess of its 1929 cost.

The tax-exempt market has reached these dazzling heights both through a decline in the general level of interest rates to an all-time low, and through a widening of the spread between the yields available on taxable and on tax-exempt bonds. The following tabulation is indicative. In order that the corporate average reflect uniformly high credit standing throughout, the yields are on Aaa railroad bonds through 1930, and thereafter on Aaa public utility bonds.

COMPARATIVE YIELDS OF CORPORATE AND MUNICIPAL BONDS

Average Yield	Moody's Aaa Corporate	Bond Buyer's 11 Municipals	Ratio of Municipal Yield to Corporate
1919	5.23%	4.48%	86%
1920	5.64	4.98	88
1921	5.42	5.03	93
1922	4.74	4.20	89
1923	4.86	4.23	87
1924	4.78	4.19	88
1925	4.70	4.10	87
1926	4.57	4.10	90
1927	4.36	3.98	91
1928	4.40	3.98	90
1929	4.64	4.28	92
1930	4.45	4.07	91
1931	4.36	3.87	89
1932	4.61	4.33	94
1933	4.29	4.29	100
1934	3.92	3.73	95
1935	3.52	3.00	85
1936	3.21	2.63	82
1937	3.21	2.67	83
1938	3.02	2.58	85
1939	2.89	2.43	84
1940	2.77	2.20	79
1941	2.69	1.79	67
1942	2.73	1.89	69
1943	2.65	1.59	60
Sept. 1, 1944	2.64	1.30	49
Nov. 1, 1944	2.70	1.33	49

The decrease of the above ratio since 1938 may be attributed primarily to steadily increasing Federal income tax rates during the period and to a shrinking supply of available tax-exempt bonds since 1941.

A downward revision of income tax rates after the war is inevitable, with a reduction in or elimination of the excess profits tax expected to be among the first items on the agenda. Maintenance of the present tax structure in peacetime would stifle the incentive to take business risks and defeat the very purpose of high tax rates: the raising of huge amounts of revenue. The argument that post-war Federal expenditures may run close to $25 billion dollars is no justification for income tax rates that exceed the point of diminishing returns.

Effect of Tax Revisions

Illustrative of the direction that public sentiment is taking is the widespread interest in post-war tax plans being advocated by responsible groups. Representative are the Committee for Economic Development, Ruml-Sonne, and Twin Cities proposals, which are compared below with 1937 and current tax rates. The percentages given are the rates of tax on income just in excess of the amount shown:

Income After Exemptions—	Middle Proposal C. E. D.	Ruml-Sonne	Twin Cities With Sales Tax	Twin Cities Without Sales Tax	Actual 1944	Actual 1937
$20,000	42%	38%	28%	34%	59%	19%
50,000	47	50	40	50	78	35
100,000	52	62	48	62	92	62
500,000	64	66	60	75	94	74
1,000,000	70	66	60	75	90	77
Corporations	*18	†5	‡40	‡40	§40	¶15

*Credit for 18% tax paid given stockholders on dividends. †Also a 16% tax on undistributed profits. ‡40% of dividends received by stockholders constitutes tax-exempt income. §Also an excess profits tax. ¶Also a surtax on undistributed profits.

In addition to proposing a cut in personal income tax rates (to a point below 1937 in the higher brackets), all three plans emphasize the necessity for the reduction or elimination of double taxation of corporate earnings in order to attract capital into corporation equities from its haven, tax-exempt bonds. It is believed that a strong case for this reform will be made to Congress at an early date.

Many present investors in municipals would prefer to own stocks holding possibilities of capital appreciation but consider the negligible dividend yield after existing taxes an effective bar to their purchase. It is interesting to observe how the yield after taxes on the average stock would be affected under these tax plans, assuming in the case of Committee for Economic Development and Ruml-Sonne that the dividend rate is increased by the corporation's normal and surtax saving thereon. All three plans propose abolition of the excess profits tax, but we have made no adjustment for the effect of its elimination. Such elimination not only would increase corporate earnings, but would diminish the demand for municipals from banks now finding them invaluable for reducing excess profits taxes.

The table below assumes a present dividend rate yielding 4.6% on the market value a representative figure:

DIVIDEND YIELD AFTER TAXES UNDER

Income After Exemptions—	Twin Cities With Sales Tax	Twin Cities Without Sales Tax	Middle C. E. D.	Ruml-Sonne	Present Law
$20,000	3.8%	3.7%	4.4%	4.5%	1.9%
50,000	3.5	3.2	4.1	3.6	1.0
100,000	3.3	2.9	3.7	2.8	.4
1,000,000	2.9	2.5	2.3	2.5	.5

Thus, even in relatively high income brackets, stock yields would offer considerable attraction in comparison with present municipal rates, and future adoption of the principles of these proposals would have the effect of reducing the demand for tax-exempt bonds, especially if the capital gains tax is further reduced. Moreover, municipal bonds in the hands of a corporation might carry little or no tax advantage under these plans (depending on the exact provisions of the laws), thereby eliminating an important group of buyers at present levels.

Post-War Municipal Bond Issues

Another reason to look for a lesser spread between municipal and corporate yields is the prospective flood of municipal offerings after the war. In the decade ending June 30, 1941, new issues of State and local government bonds approximated retirements, and maintained the net local debt at close to $16 billion dollars. After the war, we have not only this normal level of new issues to anticipate, but also a great accumulation of deferred maintenance and improvement projects to finance. (As an indication, it is estimated that the State of California is half a billion dollars behind on its highway program alone.) The measure of what will be done is not in the programs which have already been laid out, for numerous municipalities are only beginning to take stock of their post-war needs. Following is the United States Department of Commerce estimate of net State and local government debt outstanding on June 30 of each year in billions of dollars:

1919	$5.4	1932	$16.8
1920	6.1	1933	16.8
1921	6.8	1934	15.9
1922	8.0	1935	15.9
1923	8.5	1936	16.0
1924	9.4	1937	15.8
1925	10.4	1938	15.7
1926	11.1	1939	16.0
1927	12.0	1940	16.2
1928	12.8	1941	16.3
1929	13.7	1942	15.8
1930	14.7	1943	14.8
1931	15.9		

A reasonable estimate of the present total would be $13.8 billions.

Between 1919 and 1933 the supply of totally tax-exempt bonds more than tripled, then was held in a narrow range to 1942. But in the last two years, however, the supply has declined by about an eighth. With a large volume of municipal bonds available, the purchaser in the high-tax brackets competes with many in the low brackets and as a result pays only a moderate premium for his tax exemption. When the supply shrinks, however, the competition is with more necessitous bidders and the premium increases. During a long period of time the premium for the tax-exempt privilege was so moderate that portfolios with little or no tax problem purchased municipals for reasons of quality, diversification, availability, legal status, etc. In recent years, however, we have witnessed account after account drop from the ring of municipal buyers and of late some of these former purchasers have turned sellers.

A preceding table indicates that the spread between municipal and corporation bond yields until recent years usually was something less than an adjustment for the corporation income tax. Inasmuch as they paid no surtax until 1941, corporations received as much tax advantage by holding partially exempt U. S. Treasury bonds as from ownership of municipals. Since 1941, however, the corporate surtax has reached 16%, while the supply of partially and totally tax-exempt Treasuries has been cut down almost 40% (about $15,000,000,000), with the probability that another 40% will be retired in the next seven years. In the future it seems likely, therefore, that the minimum rather than the maximum spread between corporate and tax-exempt yields will be established by the tax advantage accruing to a corporation through the holding of a municipal rather than a corporate bond.

Just what this tax advantage is depends, of course, on future adjustments of corporation tax rates. The standard tables showing equivalent yields of taxable and tax-exempt bonds are misleading in that they assume the going tax rates to continue without change over the life of the bond. The true equivalent yield of a 20-year tax-exempt bond can be figured only after ascertaining the tax bracket of the holder in each of the succeeding 20 years. Thus, present tables of equivalent yields may prove to overestimate considerably the value of tax-exemptions, just as tables of 10 or 15 years ago grossly underestimated it.

In resigning ourselves to a continuation of high income tax rates, we have perhaps given too little consideration to the potential national income from which the Federal budget is to be supported. In the decade following the last war, the national income averaged 220% of the pre-war. Such a gain this time would give us a post-war annual average of close to $150,000,000,000. At this level, income tax rates could be lowered considerably and present tax-exempt yield equivalent tables would prove to be completely erroneous except with respect to very short maturities.

Perhaps more effective now as a price-making factor than the net total of municipal bonds outstanding is the volume of new issues coming on the market. This is because many present holders of municipals, having purchased their bonds at reasonable levels, continue to hold them, while at the same time refusing to replace maturing or called tax-exempts at these levels. Thus, if new issues were to equal retirements, preserving a constant amount of bonds outstanding, it would take enlargement in the municipal portfolios of present buyers to preserve present price levels. Otherwise prices would have to be reduced to interest more accounts than are now in the market.

Evidence of the ability of present buyers of municipals (including new purchasers forced into the market by high tax rates) to expand greatly their portfolios is still lacking. In an interesting tabulation, the "Bond Buyer" recently estimated the total amount of outstanding State and municipal bonds to have declined from $20 billion to $17.5 billion, or 12½%, between June 30, 1941 and Sept. 1, 1944. Holdings of insurance companies and other corporations (except commercial banks), mutual savings banks and other tax-exempt institutions, and Federal, State and local government trust funds, reflecting liquidation from these sources, were off 27%. To take up the slack, commercial bank holdings declined less than average, or by 8%, while individuals (including private estates and trusts) increased their holdings from $7.8 billions to $7.915 billions, or by a nominal 1½%. The test of the market will come when the volume of new issues exceeds the run-off in the portfolios of present buyers by a substantial margin.

State and municipal bond flotations, as reported by the "Commercial and Financial Chronicle," have run as follows:

(000 omitted)

Monthly Average—	New Money	Refunding	Total
1922-1926	$103,251	$1,101	$105,452
1927-1931	115,683	2,627	118,310
1932-1936	60,646	16,802	77,448
1937-1941	64,708	23,863	88,571
1942	28,537	15,105	43,642
1943	14,645	21,624	36,269
1944 (9 mos.)	18,002	29,280	47,282

Not included above are sales from their portfolios made by insurance companies, pension funds and other large holders who are reinvesting in taxable U. S. Government securities. If an estimate of this liquidation in the last 33 months of one billion dollars be added to total new issues, including refunding bonds, the average for the period would run about 81% of the 1937-1941 average. The total amount of net debt is about 85% of the 1941 figure. It seems reasonable to conclude that a sharp increase in both new issues and in the amount of outstanding municipals would reduce sharply the premium now being paid for tax exemption.

Future Interest Rates

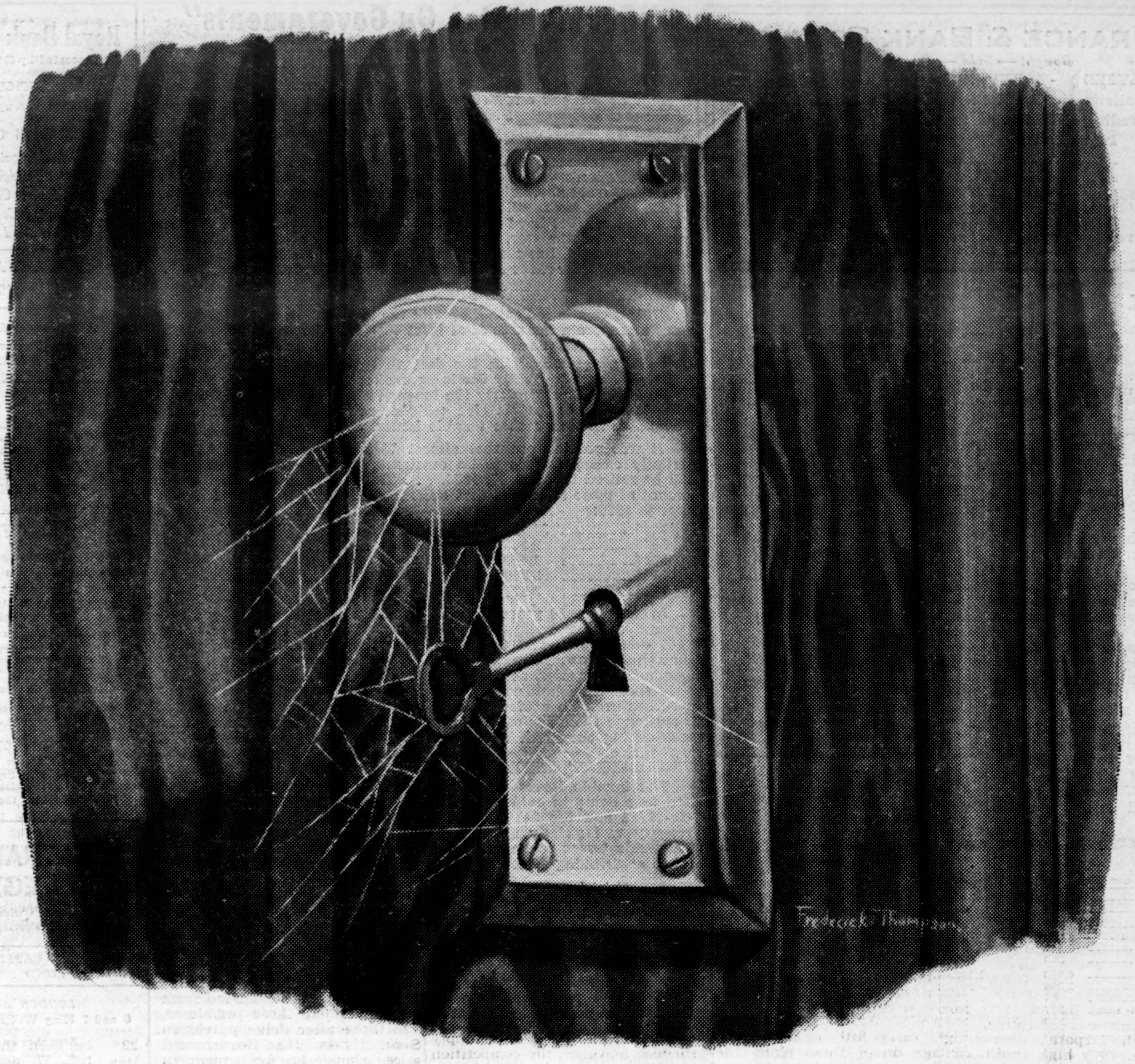
We feel also that there are grounds for anticipating a higher level of interest rates on taxable securities. The unparalleled drop in interest rates during the 1930's was primarily a result of the great gold inflow following the devaluation of the dollar, combined with a generally subnormal level of business activity. For two and a half years the monetary gold stock has been declining and post-war conditions may accelerate this trend.

Much stress has been laid upon the argument that the Federal Government must maintain an easy-money policy for many years to come because of the huge national debt. It should be noted, however, that an increase of 1% in the average rate of interest on refunding Treasury issues would amount to no more than 12% or 15% of the estimated post-war Federal budget. The maintenance of a sound and sustained high level of national income is a far more important and constructive objective in achieving a budget balance than the mere preservation of the present borrowing rate. A post-war revision of the tax laws which would encourage the taking of business risks may result in a stimulation of private enterprise which would have the not altogether undesirable effect of stiffening the interest rate.

Some protection against declining Treasury bond prices might have to be offered banks, insurance companies, and other investors in which the public has an interest. Freezing of portfolios, exchange for higher coupon issues, borrowing privileges at the Federal Reserve Bank, etc., may solve this problem. We are considering here, however, the non-Federal market where a sizable readjustment in prices could occur without necessarily involving rates on Treasury bonds. In 1928, for instance, the Treasury 4¼s, 1952/47 were selling at an average yield of 3.30% (corporation equivalent 3.83%), while Moody's Aaa rails yielded 4.40%. The fully taxable spread of .57% has now lessened to a spread of only about .22% between the fully taxable 2½s, 1972/67, and Moody's Aaa utilities. In the post-war period the spread could conceivably exceed that of 1928.

It is mathematically demonstrable that our credit base can be increased through reduction of reserve requirements of both Federal Reserve and member banks to accommodate the needs of a further vast credit expansion. From a practical standpoint, however, it seems likely that if money is cheap and the prospects for profits bright, a continuing demand for loans (whether for expansion of business plant or merely for speculation in inventories, real estate, security markets, etc.) will eventually strain the credit structure if allowed to run unchecked. Even under the aegis of the present money managers, the 1937 boomlet created a break in the bond market.

The proposition we advance is that an atmosphere conducive to the acceptance of business risks will be created after the war and that such atmosphere will certainly culminate in a speculative boom if unlimited low-rate credit is made available. (Witness the easy-money policy of the Federal Reserve System in the middle 1920's.) We believe the American people to be too restive under present economic controls to tolerate them long after the war. The logical method of controlling over-expansion is then through a tightening of the credit reins, with a consequent increase in the borrowing rate. To our mind, the permanence of the present low level of interest rates would connote a permanency of lack of speculative incentive, and we do not believe that the nation has reached so sorry a state as this.



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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

As was pointed out two weeks ago in this column, bank stocks have given a better performance thus far in 1944, than have leading industrial stocks. Despite, however, an appreciation of 11.6% since Dec. 31, 1943, as measured on the American Banker Index, they are still far below their 1937 highs. Currently (11-9-44), the American Banker Index is 42.4, while at its high on Feb. 10, 1937, it was 61.2. Thus, if bank stocks are to reach their 1937 highs, they will have to appreciate 44.5% from current levels.

Meanwhile the earning assets, earnings and book-values of leading New York City banks have moved in the opposite direction, having experienced substantial expansion. Consequently, market ratios today are very favorable to the investor, and his investment dollar currently will purchase substantially more assets, earnings and book-value than was possible during the 1937 market.

This fact is brought out in the accompanying tabulations. Table I shows the 1937 market high for 15 leading Wall Street banks in relation to 1937 earning assets, book-values and earnings, while Table II shows the current market in relation to current statistical data.

Bank and Insurance Stocks

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(L. A. Gibbs, Manager Trading Department)

TABLE I

	Earning Assets Per Share 12-31-37	Book Value Per Share 12-31-37	Net Operating Earnings Per Share 1937	Market 1937 High
Bank of Manhattan	$173	$22.93	$1.78	41½
Bank of New York	2,186	322.88	20.33	550
Bankers Trust	256	40.77	2.95	86½
Central Hanover	558	87.12	7.50	153½
Chase	220	31.31	2.03	65½
Chemical	190	37.31	3.09	86
Corn Exchange	302	44.07	2.87	77¼
First National	4,233	1,182.08	106.78	2,710
Guaranty Trust	1,318	301.88	15.03	394
Irving Trust	85	22.35	0.73	20¾
Manufacturers Trust	297	38.79	4.45	71
National City	220	25.84	1.53	61½
New York Trust	556	80.60	6.12	164
Public	298	39.87	3.03	58
United States Trust	3,518	1,538.04	82.51	2,150
Average	$960.7	$254.39	$17.30	446

TABLE II

	Earning Assets Per Share 9-30-44	Book Value Per Share 9-30-44	Net Operating Earnings Per Share 1943	Market 11-9-44
Bank of Manhattan	$436	$25.83	$2.01	25⅞
Bank of New York	5,223	369.70	28.59	453
Bankers Trust	571	52.07	3.79	56¼
Central Hanover	1,289	100.45	6.54	108
Chase	514	38.33	2.33	42⅛
Chemical	530	42.17	3.42	51¾
Corn Exchange	688	50.45	3.56	55⅛
First National	9,812	1,270.43	106.16	1,740
Guaranty Trust	3,100	331.59	17.38	327
Irving Trust	205	21.48	1.00	15⅞
Manufacturers Trust	773	43.84	5.28	54
National City	560	40.47	2.44	40¼
New York Trust	1,079	87.95	6.51	105½
Public	798	50.49	3.30	46¾
United States Trust	6,569	1,522.11	87.07	1,485
Average	$2,120	$269.82	$18.63	$307

Market ratios are not shown, but may be easily computed for comparative purposes from the data given in the table. As a rough comparison between the two periods, however, unweighted averages of earning assets, book-values, earnings and market are given for both dates. Comparative ratios on this basis are as follows: Earning assets per dollar of market, $2.15 in 1937 vs. $6.97 now; book-value per dollar, $0.57 in 1937 vs. $0.88 now; earning yield, 3.9% in 1937 vs. 6.1% now. In other words, the investor's dollar today will purchase approximately 224% more earning assets, 55% more book-value and 56% more earnings. As mentioned before, this is a rough comparison because the averages are distorted by reason of such extremes in the list of stock prices, for instance, as Irving Trust and First National Bank.

As an example of an individual stock, let us consider Public National Bank, as follows:

	1937	1944	Betterment
Earning assets per $ of market	$5.15	$17.10	232.0%
Book value per $ of market	0.69	1.08	56.5
Earnings yield per $ of market	5.2%	7.1%	36.5

Another interesting comparison is Bank of Manhattan, which shows the following results:

	1937	1944	Betterment
Earnings assets per $ of Market	$4.08	$16.80	311.8%
Book value per $ of market	0.55	1.00	81.8
Earnings yield per $ of market	4.3%	7.8%	81.4

It will be noted that two banks show a decline in book-value, viz.: Irving Trust and United States Trust. In the case of Irving Trust, the book-value was reduced in 1938 through a transfer of funds to a valuation reserve and for writing down the stated value of the bank building at No. 1 Wall Street. Since 1938 the book-value of the stock has been steadily rising. With regard to United States Trust, somewhat similar action was taken in 1942 when there was transferred from undivided profits, $828,000 to a valuation reserve and $100,000 for writing down the stated value of the banking premises. This resulted in a drop of $46.40 in the book-value of the stock.

Only one bank, Central Hanover, shows lower earnings in 1943 than in 1937, and this may be more apparent than real, because of the different method of reporting earnings today which renders strict comparison with the earlier period impracticable.

All in all, the banks are making a splendid showing, and since the evidence seems to point to a continuation of favorable operating results well into the post-war era, carefully selected and diversified holdings of stocks of leading New York City banks appear to offer attractive opportunities for steady income and long-term appreciation.

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"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

The Government bond market took the election in stride with the only noticeable effect being a good demand for the partially exempt obligations on Wednesday, Nov. 8, thus extending the rise of the previous week. . . . There are indications that institutions in need of tax shelter still have a substantial interest in these securities, particularly in the last four maturities. . . . There seems to be a feeling in the market that, with the election out of the way, the Administration's views on taxes as expressed by War Mobilization Director Byrnes should be given full consideration, which means that excess profits taxes will probably be in effect until both phases of the world conflict have ended. . . . Likewise, it is realized that the tax rate, after the war, must be high enough not only to insure a balanced budget, but also to provide for debt retirement, since stability in our finances is one thing that must be beyond question. . . .

LONG-TERM TAXABLES SEEN FAVORED

This seems to indicate that with the elimination of excess profits taxes a corporate tax rate of at least 40% is to be expected, and this rate will probably be with us for a considerable period of time. . . .

This, together with the fact that the supply of partially exempt issues is rapidly declining, makes these obligations desirable holdings, particularly the longer term securities, since these bonds at present prices give a higher return after taxes than is available in comparable taxable issues. . . .

It was pointed out that almost 73% of the $22,170,743,500 of partially exempt issues to be outstanding at the end of the year will be retired by June 15, 1954. . . . The following table shows the amount of these securities that become callable or mature each year through 1954:

1945	$1,755,272,500	1950	$1,185,841,200
1946	2,343,580,500	1951	3,500,169,250
1947	1,460,018,700	1953	724,677,900
1948	2,245,905,400	1954	680,692,350
1949	2,277,502,050		

In less than 10 years the only partially exempt obligations outstanding will be the 2⅞% due 1955/60, the 2¾% due 1956/59, the 2¾% due 1958/63 and the 2¾% due 1960/65, the issues in which many institutions have been evidencing a real interest. . . . The insurance companies, according to the latest available data, are still fairly substantial holders of these long-term, partially exempts, but there has been no evidence yet that these institutions have decided to exchange them for other issues, although such a move may take place during the Sixth War Loan. . . .

"FREE RIDING" CURTAILED

The taxable issues were in demand in the past week, with a good tone being in evidence in the 2% due 9-15-51/53, the 2% due 6-15-52/54 and the 2¼% due 6-15-52/55. . . . The fact that the Treasury will strictly enforce regulations for subscriptions to the marketable issues to be offered in the Sixth War Loan may have been a contribuing factor to the recent improvement in the taxable obligations. . . .

This will have a tendency to cut down the number of "free riders," particularly in the 2% bonds, which took place in a rather substantial way in the last War Loan Drive. . . .

After the ending of the Fifth War Loan, both the 2% bonds and the 1¼% notes went to premiums of 9/32 and 7/32, respectively, which meant that the temporary purchasers of these issues were able to get a quick profit while the institutions that were excluded from direct participation in the War Loan had to pay these premiums, while deposits were increased through these after drive purchases just as if the bonds had been bought directly from the Government during the drive. . . . Also, an important change has been made in the way in which commercial banks with savings deposits can make direct subscriptions to the 2% and 2½% bonds offered in the Sixth War Loan, and it was pointed out this may have an effect upon the 2% bonds to be offered in this drive, particularly from the standpoint of demand after the War Loan has ended. . . . During the coming drive commercial banks with savings accounts can subscribe directly to the 2% and 2½% bonds to the extent of 10% of their savings deposits, or $500,000, whichever is the smaller, and the amount of securities to be bought directly from the Government is not cumulative with reference to the amount of these obligations bought in any previous War Loan. . . . This means that many of the institutions with savings deposits are in a position to buy more

(Continued on page 2160)

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Mortgage bonds of Chicago North Shore & Milwaukee offer interesting possibilities, according to a report prepared by Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this report may be obtained from Reynolds & Co. upon request.

Futility of "Inflation" Discussion

(Continued from first page)

by those speakers and writers who seem to find it desirable to employ the word. For example, we find some users of the term contending that there is no "inflation" now, while others reach an opposite conclusion. Some of those who are predicting future economic conditions maintain that there will be no "inflation," while others insist that we will be faced with it.

There would probably be differences of opinion as to what the future will bring, even though the forecasters were dealing with the same evidence, for the reason that the forecasters might attach different importance to various parts of the evidence or interpret it differently. But that is not the point. Many of the differences of opinion as to what the future will bring in the way of "inflation" rest, essentially, upon the fact that the term means different things to different people. Predictions in the social sciences are difficult and sharply limited in value enough even when the scientists are classifying their evidence carefully and are using accurately-descriptive terms; but predictions based upon a word having a wide variety of meanings, or no worthwhile scientific meaning at all, are likely to be highly misleading, if not totally worthless. In any event, the confusion which now characterizes practically all discussions of "inflation" is unfortunate and apparently contributes nothing of value in so far as knowledge based upon scientific analysis is concerned.

If the term "inflation" had a specific, scientific meaning, economists should not disagree as to whether there was "inflation" in the 1920's, or the 1930's, or now. The fact is, however, that there is an endless amount of disagreement on these points and, to a large degree, it arises from the fact that the term "inflation" has no scientific meaning or value.

It is common to see the word "inflation" applied to a rising price level. Such use of the term cannot be defended in economic science because, for one thing, it would not distinguish a sound and desirable rise in the price level—as during a period of recovery from a depression—from a rise in the price level resulting from any number of undesirable and harmful factors such as the issuance of inconvertible paper money or the maladjustments caused by war. Furthermore, this use of the term reveals a thoroughly unscientific quality in the fact that it would compel one to insist that no "inflation" existed during the years 1923 to 1929 when the wholesale price level not only did not rise but was fairly steady and even sagged somewhat. The same would be true during the period of price controls of the present war. Still further, those who relate the term to the price level seem often, if not usually, to overlook the fact that the price level is nothing but a mathematical abstraction behind which lies all sorts of fluctuations in the prices of individual goods and services. They seem to forget that this mathematical abstraction, in the form of an index number of wholesale prices, can remain steady in the face of a multitude of instabilities and maladjustments among the various commodities and services which comprise it. For example, such maladjustments existed during the period of 1923 to 1929, during which the stability of the index of wholesale prices led so many people to infer that therefore all was well with the country, and that so long as the price level remained steady we would not be faced with a severe secondary postwar recession — a phenomenon which had occurred with a high degree of regularity after each of our major wars.

Today we seem to be repeating this same error in our thinking. One may read statements again and again to the effect that, since our index of wholesale prices is fairly steady, we have no "inflation" and we should therefore escape a postwar recession. We would do well to look back to the lessons flowing from the period of relatively stable prices from 1923 to 1929 and to remind ourselves, when we meet the assertion that there is now no "inflation" and therefore no cause for a business recession because the price level is fairly steady, that such a contention lacks validity under scientific analysis. In short, predictions of the type just mentioned have no scientific value.

There are those who use the term "inflation" to describe what they call a "sharply" rising price level. The difficulty here lies in the impossibility of drawing a line in any defensible way between a movement of prices that is "sharp" and a rise that is not sharp. Here, again, we have the question already mentioned: If "inflation" means only a "sharply" rising price level—whatever that may mean—the user of the term in this sense is compelled to admit that there was no "inflation" during the years 1923 to 1929 and that there is none during our present period of price control.

There are those who apply the term "inflation" to a depreciating currency. But a depreciating currency takes various forms; and it is thoroughly unscientific to attempt to lump this variety of forms into one category for the reason that such a classification fails to distinguish those depreciations that differ in their essential characteristics. For example, depreciation of a currency can refer to the declining purchasing power of all currency of a nation in terms of all goods and services in general—that is, it would mean nothing more in this sense than rising prices as revealed by some generalized index of prices. Depreciation of currency can refer to the declining value of all non-gold currency in terms of gold or in terms of some foreign currency or currencies without regard to the behavior of the domestic price level. Depreciation of a currency can refer to what is commonly called devaluation of a currency which may have no ascertainable effect on the behavior of domestic prices.

Sometimes the word "inflation" is applied to an expansion of a nation's currency — its money as distinguished from its bank deposits. Now, an expansion of a nation's money may take various forms, each differing from the others both in nature and in consequences. For example, an expansion of a nation's supply of gold and gold certificates is not the same in nature or in effect as the same amount of currency expansion in the form of inconvertible paper money.

Sometimes the word "inflation" is applied to a situation in which credit (for example, bank deposits) is extended or "greatly extended" against assets that are illiquid. Here the term may be used irrespective of the behavior of the price level, and, obviously, it is dealing with a phenomenon that may or may not have any ascertainable effect upon the price level at a given time or any predictable effect upon the price level of the future. It is quite probable that the essential characteristic of the term as used in this sense is that it is pointing to unpayable debts in a certain segment of the economic structure.

Sometimes the word "inflation" is applied to the behavior of prices of individual commodities and services regardless of the behavior of the price level. Such use of the term at least escapes the difficulties that often confront those who attempt to relate it to a rising price level. Those who employ the term in this sense seem, at least, to have an appreciation of the difficulties involved in attempting to build any scientific definition of "inflation" around such a mathematical abstraction as an index number of prices in general.

Perhaps the idea most common to all users of the term is that "inflation" is a bad thing; but just why it is bad is not always made clear. Indeed, it is here that some of the major inconsistencies appear in some of the popular concepts of "inflation." A rise in the price level which accompanies a recovery from a depression is not necessarily a bad thing; in fact, it can be thoroughly wholesome and proper. When, therefore, those who think "inflation" is an undesirable thing nevertheless relate it to a rising price level, they find themselves, or at least should find themselves, caught in a major inconsistency of concept.

It is not easy to generalize as to why so many people — even economists—seem to think it necessary or desirable to employ the word "inflation" considering its lack of scientific value. Even though an economist should take the time to build a definition of "inflation" that would meet all the requirements of science, the question would still arise as to the value of his definition in the face of the fact that the term is now used in so many ways, most of which are vague, thoroughly unscientific, and generally useless. Any economist employing the word in a carefully-conceived and scientific sense would find himself confronted with the necessity of explaining the nature and implications of his particular definition. This might be worth while if the particular phenomenon to which he is applying the term could not be described accurately in other words that would be free from confusion. But it is doubtful whether there are any economic phenomena to which the word "inflation" is now applied that cannot be described accurately and precisely in words which the general public could clearly understand with little difficulty. For example, if one is referring to the price level, why should he not speak of the price level? If he is referring to the prices of individual commodities or services, why should he not say so? If he is speaking of a depreciating currency, why should he not state specifically the particular brand of currency depreciation to which he is referring, and is there any reason why this could not be done in understandable terms?*

It seems quite clear that if the discussions of such things as the price level, or currency depreciation, or the extension of credit against illiquid assets, and the other phenomena of the type mentioned were carried on by the use of precise and accurately-descriptive terms, knowledge of these things would be advanced much more rapidly. It also seems safe to say that the use of the unscientific word "inflation" contributes nothing toward the advancement of understanding of the economic phenomena or forces to which the term is in various ways applied, and that there would be a real gain to knowledge if it were dropped from our economic vocabulary.

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*After several years of study of the various uses of the word "inflation," this author built a definition of it which he believed to be scientifically defensible, and that definition has appeared in economics textbooks, pamphlets, and elsewhere. But the fact seems to be that the word so defined has no particular virtues beyond pointing out several of the weaknesses and inconsistencies in more popular definitions. It describes nothing that cannot be described in other precise and understandable terms.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue November 15, 1944

$30,000,000

Houston Lighting & Power Company

First Mortgage Bonds, 2⅞% Series due 1974

Price 102½%

plus accrued interest from November 1, 1944 to the date of delivery

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

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Glore, Forgan & Co. **Goldman, Sachs & Co.** **Kidder, Peabody & Co.**

W. C. Langley & Co. **Salomon Bros. & Hutzler** **A. C. Allyn and Company** Incorporated

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Mutual Funds

Measures of Undervaluation

Accent on **value** is the predominant theme of investment company literature these days. The most recent publications of at least four leading investment company sponsors stress the values available in their offerings.

Distributors Group, in a letter entitled "A Visual Measure of Undervaluation," introduces new folders on **Railroad Equipment Shares, Railroad Stock Shares** and **Steel Shares**, which enable the reader to see at a glance the present degree of undervaluation in these groups.

Large charts showing the average price and average earnings of each group are scaled on a 10-to-1 ratio so that present price-earnings relationships can be compared with past periods and also with estimated post-war earnings.

For example, the chart on railroad equipment stocks shows that, on average, these stocks sold at

—almost 20 times earnings in 1929

—more than 20 times earnings in 1937

—approximately 10 times earnings in 1940

and are selling at less than 10 times earnings today!

The letter concludes: "Extreme undervaluation is also apparent in the railroad stocks and the steel stocks. In fact, all three groups are now selling at less than 10 times current earnings and at less than 5 times their estimated average post-war earnings!"

* * *

Hugh W. Long and Co., in a memorandum on **Railroad Series of New York Stocks, Inc.**, shows the values available in railroad stocks by comparing estimated post-war earnings with those of the peacetime and wartime years from 1936 through 1943. Moody's estimates of railroad post-war earnings form the basis of the study.

> **"In 1937—during peace—the average price of shares in Railroad Series was 68% higher than current quotations. In the same year, earnings were only 38% of the post-war estimate."**

* * *

Lord, Abbett's current issue of **Abstracts** discusses the values available in utility holding company preferred stocks of the type which comprise a large percentage of the portfolio of **Union Preferred Stock Fund.** The "break-up" values on eight utility holding company preferreds which were covered in a recent article in Barron's are tabulated against their current market prices.

Railroad Stock Shares
A Class of Group Securities, Inc.
Prospectus on Request
DISTRIBUTORS GROUP, INCORPORATED
63 WALL ST. · NEW YORK 5, N. Y.

WELLINGTON WF FUND
A MUTUAL INVESTMENT FUND
Incorporated 1928
Prospectus may be obtained through your investment dealer or from the distributor.
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Keystone Custodian Funds
Certificates of Participation in Trust Funds
investing their capital as follows:
SERIES
B-1, 2, 3 and 4 IN BONDS
SERIES
K-1, 2 IN PREFERRED STOCKS
SERIES
S-1, 2, 3, 4 IN COMMON STOCKS
Prospectus may be obtained from your local investment dealer or
THE KEYSTONE CORP. OF BOSTON
50 CONGRESS STREET, BOSTON, MASS.

"A little arithmetic," comments the memorandum, "brings out the fact that on the basis of this author's minimum estimates these eight preferreds are selling at an average discount of 35%. On the basis of his maximum estimates, they are selling at a discount of over 51%!"

From these figures, **Lord, Abbett** derives the striking caption, "A Dollar of Value for Forty-Nine Cents."

* * *

National Securities & Research Corp., in Letter No. 10 on **National Stock Series**, emphasizes the values in this fund in a somewhat different way. The letter is entitled, "A $2,000,000,000 Bonus for Investors." This figure is derived from the fact that the total market value of the 38 issues now held by National Stock Series is estimated at $2,000,000,000, while the total net assets applicable to the common stocks of all these companies is estimated at about $4,000,000,000. Thus, it is pointed out, the investor in this fund purchases almost $2 in assets for each $1 laid out by him.

Seventh Anniversary

The **George Putnam Fund** was seven years old on Nov. 1, 1944. Total assets now exceed $10,300,000 and the current worth of the fund exceeds by a sizable figure the net amount paid in by investors. In addition, shareholders have had a return on their money averaging something better than 5%.

This record and the next seven years are discussed by the Trustees in the November **Portfolio Review**. And what about the next seven years? The Trustees state that, "The broad goal of the **Putnam Fund** will remain unchanged. . . .

"The person who is seeking to achieve a measure of financial independence and security for himself and his family needs help these days. The old avenues for the employment of his savings—such as the savings bank and high-grade bonds—are no longer as attractive as they used to be due to the very low rates of return. Investment trusts, with their greater flexibility and wider diversification, are in a position to provide a place for careful money if managements have the courage and the foresight to think more largely in terms of investment rather than speculation."

NATIONAL SECURITIES SERIES
Prospectuses upon request
National Securities & Research Corporation
120 BROADWAY, NEW YORK, (5)
LOS ANGELES, 634 S. Spring St., (14)
BOSTON, 10 Post Office Square (9)
CHICAGO, 208 So. La Salle St. (4)

New England Fund
Prospectus on request
GENERAL INVESTORS TRUST
Prospectus on request
DISTRIBUTORS:
A. W. SMITH & CO., Inc.
111 DEVONSHIRE STREET
BOSTON, MASS.

Tax Exemption

Keystone Corp., in the current issue of **Keynotes**, draws attention to the annual gift-tax exemption which, for the year 1944, will expire next Dec. 31.

"Every investor has the right to make an annual gift up to $3,000 each without gift tax—to any desired number of beneficiaries. So far as the 1944 exemption is concerned, this opportunity is available only until Dec. 31. These gifts of $3,000 each are in addition to the basic exemption of $30,000, which can be made only once."

Keynotes then lists the advantages to both the investor and to the recipients of making such gifts in the form of securities. A $3,000 program divided among 3 of the 10 **Keystone Custodian Funds** is suggested.

"The investor who makes a gift of a $3,000 program such as this not only reduces his income and estate tax liabilities but also contributes to the financial independence and investment education of the recipients. He provides them with a solid foundation upon which to build financial security by careful saving and intelligent investing."

Story of UPS

A detailed discussion of the management policies and results of **Union Preferred Stock Fund** has been issued by **Lord, Abbett** in an attractive "legal-type" memorandum. "In uncertain times," states the memorandum, "protection of capital in this field would call for a portfolio consisting only of the very highest grade preferreds. . . .

"It is the conviction of the **Lord-Abbett management**, however, that present and prospective conditions do not call for investment in this storm-cellar class of preferreds. Rather, their studies indicate that present and post-war conditions strongly justify a portfolio offering a higher return, and outstanding possibilities for capital gains."

Growth of National Securities Series

In the current issue of **National Notes** the growth record of **National Securities Series** from April 30, 1941 to Oct. 31, 1944, is given. On the beginning date, combined net assets amounted to $1,078,354. By April 30, 1944 combined net assets had climbed to $9.802,026.

In the past six months an even more rapid rate of growth has occurred with the result that combined net assets on Oct. 31, 1944, stood at $15,382,040.

Mutual Fund Literature

Lord, Abbett—A recent issue of **Abstracts** entitled, "Tidal Wave," comparing "liquid assets" in the United States with stock prices over the past 28 years; a revised Composite Summary folder for November; revised portfolio folders on **Affiliated Fund** and **Union Bond Fund A. . . . Distributors Group**—A special month-end price comparison on all classes of **Group Securities, Inc.**; revised portfolio folders on **Railroad (Bond) Shares, General Bond Shares** and **Low-Priced Shares. . . . National Securities & Research Corp.**—Revised Current Information folder for November. . . . **Selected Investments Co.**—Current issue of **Selections** showing the effects of excess profits taxes on earnings of selected companies; the current issue of "These Things Seemed Important."

How Smaller Business Can Finance Plant Expansion

(Continued from page 2132)

nological advances can be translated into new and improved products for the public, however, huge purchases of machinery and equipment must be made by manufacturers to create the necessary productive capacity.

Should Cash Resources Be Used?

American business today possesses far larger amounts of cash and Government securities than ever before in history. Heavy depreciation reserves, the reinvestment of earnings, and the liquidation of inventories and receivables have added billions to the cash resources of business during each war year.

Will these cash resources provide the funds needed to pay for large scale machinery purchases when the war is over? This question has been asked repeatedly. No simple and uniform answer can be given today. All past experience tells us, however, that it will be short-sighted and can be disastrous for businessmen to pay out cash resources too freely for the purchase of machinery and other fixed assets, for they may then find that their working capital to finance current operations has been impaired.

A very important reason for the great wartime expansion of cash reserves of business enterprise was the liquidation of peacetime inventories and receivables with the shift to war production. When peace returns, inventories of civilian goods and receivables will again be built up. If the expected boom in civilian industries occurs, inventory and working capital needs will become far larger than ever before. Working capital requirements will be swelled also by the prospect of deficit operations for a time during the reconversion transition, since many concerns will be operating at a low rate of capacity and outgo may exceed income for a number of months at least.

As reconversion proceeds, competition in industry will become intensified and profit margins will be narrowed. It is not safe, therefore, to rely upon current earnings of the post-war years to help finance working capital requirements at that time.

It is imperative, therefore, to maintain a strong working capital position after the war. True, deferred maintenance of equipment and some purchases of new machinery can be paid for out of cash or the sale of Government securities now on hand. By and large, however, the more conservative course of action would be to retain cash resources intact for working capital needs, immediate and eventual, and to turn to other means of financing purchases of new plant and equipment, which are fixed assets.

Available Alternatives: Bank Loans

The manufacturer who has decided upon a program for equipment purchases and who does not want to use his liquid resources for this purpose faces several alternatives in the financing of the equipment he requires. He can seek a bank loan for the purpose. He may be able to float a bond or stock issue. He may turn to the Reconstruction Finance Corp., the Smaller War Plants Corp., or some other Government agency. Finally, financing arrangements can be made with a sales finance company for the purchase of instalment notes to spread payment for the machinery over a period of time, so that the maturities may be met partially or substantially out of depreciation deductions.

We shall consider each of these alternatives in turn.

The use of bank loans for this purpose has been facilitated to some extent by the policy of bank supervisory authorities in the examination of loans since 1938. Loans are no longer criticized merely because they are "slow." The basis for the appraisal of loans is now the prospect of ultimate repayments. As a result, many commercial banks are theoretically freer to make intermediate term loans of the type required to finance the purchase of productive machinery.

However, many manufacturers wish to utilize their bank credit loans fully to finance inventories and receivables, particularly since they look forward to a much larger volume of business after the war than before. When a substantial loan of longer term is secured from the bank to pay for machinery purchases, other credit relations between the customer and the lending institution are necessarily affected. If the result is to reduce the line of credit available for working capital, even moderately, the question arises whether this method of financing machinery buying is desirable.

The chief difficulty about the use of longer-term bank loans to finance equipment purchases is that such advances are available as a rule only to concerns with exceptionally strong credit standing. The rank and file of smaller and medium-sized enterprises cannot count upon bank loans running longer than six months. In many medium-sized cities and smaller towns such loans are not available at all through local channels, and manufacturers there are not in position to travel to Chicago or New York to obtain longer-term credits from banks there. For numerous manufacturers of smaller size the use of bank loans to finance equipment purchases is not a practical alternative.

Where a manufacturer wishes to reserve his bank credit for working capital purposes, which is the traditional policy, other methods must be favored for the financing of equipment purchases. For very many smaller manufacturers this method is not available at all.

Security Issues

Manufacturers can resort to the sale of security issues to finance the machinery they require.

In the case of a very large corporation that wants to raise many millions of dollars, the security markets provide a preferred means of financing. However, it may not prove to be good business for many of the thousands of manufacturers who want to raise from a few thousand to a few hundred thousand dollars for this purpose to resort to the security markets.

In the first place, the type of securities that can be sold may have to remain outstanding long after the equipment bought with the proceeds has been retired from use. Then, too, the cost of financing through security flotations may be too high. The average cost of flotation of stock offerings of smaller corporations between Jan. 1, 1938 and June 30, 1944, was revealed in a study just issued by the Securities and Exchange Commission. This study shows that 21.6% of the gross proceeds of the sale of stock issues by companies with assets of less than $1,000,000 was absorbed by the cost of issuance.

In the case of larger corporations with assets of $1,000,000 to $5,000,000 the average cost of flotation was 15.8%.

The study also revealed that 50% of the issues sold through investment bankers did not provide for a firm commitment by the bankers to purchase the securities from the issuers. In cases where no firm commitment was obtained, the issuing corporations, of course, could not ascertain whether the actual money sought through the sale of securities was available until the bankers actually attempted to find investors willing to buy them.

Government Agencies

It cannot be known at this time to what extent and under what conditions business enterprises of small and medium size will be able to borrow from Government agencies or Government-financed lending institutions after the war. Many proposals for such loans have been advanced. Some of these would develop existing institutions like the Smaller War Plants Corporation for this purpose. Others contemplate the creation of new agencies to facilitate the financing of smaller business enterprises.

The very uncertainty concerning the Government's plans for providing the new capital financing facilities for business militates against reliance upon this source of capital. Furthermore, enterprises that have relied on Government financing in the past have encountered on occasion undesirable features, such as salary limitations and other restrictions that are not imposed by private agencies advancing credit on similar terms. Generally speaking, managements of many enterprises prefer to raise capital through private sources so long as this is possible on a reasonable basis.

Sales Finance Companies

Manufacturers can finance their purchases of machinery and equipment through the use of sales finance companies. This plan provides for a cash down payment, and instalment or term payments for the balance of the purchase price due, spread over periods running up to several years. In this way, the earnings derived from the equipment automatically provide funds for the payment of the instalment notes due.

Discussing this method of financing equipment purchases by manufacturers of small and medium size, Arthur O. Dietz, President of Commercial Investment Trust, Inc., who has himself played a leading role in the development of term financing of machinery purchases, stated to the author: "Term financing enables a manufacturer to pay for the equipment he needs out of earnings, instead of depleting his cash resources or incurring a debt in connection with the equipment purchase that would extend beyond its useful life.

"In general, the cost of instalment financing of purchased machinery to the manufacturer is reasonable as compared with other types of intermediate financing. This is particularly true if comparison is made with the cost of selling a security issue in an amount of, say, $250,000. C. I. T., in the light of its experience in the financing of millions of dollars of machinery, has found that its credit experience is good and its loss ratio small. As a result, the rates charged do not provide for a substantial loss reserve.

"From the standpoint of the manufacturer who buys the machinery, the use of the term financing device holds out additional advantages. As a result, its bank credit position is improved because the purchase of income producing equipment strengthens his earning power, which will make banks the more ready to lend funds of short term to meet payrolls, to carry short term receivables and to purchase inventories. Where a manufacturer prefers to factor his accounts receivable, as is so commonly the case today, the use of term financing for machinery purposes does not effect his ability to do so. The two types of credit are used for entirely separate purposes. The factoring concern is interested solely in the quality and value of the receivables themselves when providing a line of credit against them, and is not directly interested in the way in which machinery purchases are financed."

Term financing of machnery purchases is arranged by sales finance companies in two ways. First, the manufacturer who wishes to pay for machinery on the instalment plan can apply directly to the sales finance company for terms. Secondly, the purchaser can request the seller of the equipment to make the requisite arrangements so that payments can be made on the instalment plan. As a practical matter, some sellers of equipment are not acquainted with instalment sales procedure or the advantages inherent in this method of financing. For this reason, where a manufacturer finds that the seller of the equipment does not customarily offer instalment credit terms, it is preferable to apply directly to the sales finance company for the financing. The manufacturer then pays cash in full for the equipment, after having made arrangements to secure the funds desired from the finance company.

Term financing of equipment is a well established practice today in some industries, but not yet in others. For example, textile, printing and construction machinery is sold in large quantities on an instalment basis, and the practice is becoming as well established in these fields as in the sale of consumer durable goods. In fact, wherever standardized machinery is being sold to a large number of smaller and medium-size manufacturers this type of financing can be applied on a mass basis. On the other hand, equipment of a more specialized character that is sold to a relatively small number of buyers is less suited to such financing and a much smaller volume of machinery is sold in this way.

Conclusion

The financing on reasonable terms of large-scale purchases of machinery and machine tools is a fundamental prerequisite for a period of business prosperity and widespread employment after the war.

Manufacturers have a choice of several methods of financing such purchases. For medium and smaller-sized concerns, the use of term financing arranged through a sales finance company possesses a number of advantages and avoids several disadvantages that attach to the use of alternative financing methods in many instances.

John A. Beaman Now Is With Stone & Webster

BOSTON, MASS. — John A. Beaman has become associated with Stone & Webster and Blodget, Inc., 49 Federal St. In the past Mr. Beaman was in charge of the Boston office of Blyth & Co., Incorporated.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Henry S. Overlock** has been added to the staff of **Paine, Webber, Jackson & Curtis**, 24 Federal St.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Walter J. McCorkle** is with **Shea & Co.**, 31 State St. In the past Mr. McCorkle was an officer of Suffolk Securities Co.

(Special to The Financial Chronicle)

BOSTON, MASS. — **James R. Sullivan** has become connected with **Trusteed Funds, Inc.**, 33 State St.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Donald B. Mead** has become associated with **Eastman, Dillon & Co.**, 135 South La Salle St. Mr. Mead in the past was with Fahnestock & Co., Merrill Lynch, E. A. Pierce & Cassatt, and Paine, Webber & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **William M. Galloway** is with **Philip D. Stokes**, 105 South La Salle St.

(Special to The Financial Chronicle)

CLEVELAND, O.—**Ray L. Poland** has become affiliated with **Hawley, Shepard & Co.**, Union Commerce Building.

(Special to The Financial Chronicle)

COLUMBUS, O. — **Stanley W. Strong** has been added to the staff of **Lowry Sweney, Inc.**, Huntington Bank Building.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND. — **Glenn B. Hines** is now connected with **Straus Securities Company**, Circle Tower.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — **Robert C. Lewis, Jr.**, has become associated with **Allison - Williams Co.**, Northwestern Bank Building.

Lazard Freres to Admit Geo. Murnane

Lazard Freres & Co., 44 Wall St., New York City, members of the New York Stock Exchange, has advised the Exchange of its intention to include George Murnane as a general partner as of Dec. 1, 1944. Mr. Murnane was at one time Vice-President of The New York Trust Co., and was a partner in the firm of Lee, Higginson & Co. from 1928 to 1935. Since that time he has been active in matters of corporate management and reorganizations.

Mr. Murnane is Chairman of the board of directors of National Department Stores Corp., Consolidated Railroads of Cuba, and American Bosch Corp., and President of Solvay American Corp. He is a director of Allied Chemical & Dye Corp., American Steel Foundries, The North American Co., and other corporations, and is a trustee of the Rockefeller Institute for Medical Research.

Donald MacArthur Now With F. S. Moseley & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Donald MacArthur has become associated with F. S. Moseley & Co., Field Building. Mr. MacArthur was formerly with Doyle, O'Connor & Co., Inc., and in the past was an officer of Birger Osland & Co., Incorporated.

This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.

$48,000,000

Central New York Power Corporation

General Mortgage Bonds, 3% Series due 1974

Dated October 1, 1944 Due October 1, 1974

Price 103% and accrued interest

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of the respective States.

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BEAR, STEARNS & CO. OTIS & CO. (INCORPORATED) WERTHEIM & CO. HALLGARTEN & CO.

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Principal and interest payable in New York, Canada or London

Price 115.75 and interest, yielding 2.84%

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Canadian Securities

By BRUCE WILLIAMS

The subject of a possible early announcement of an Alberta debt reorganization plan continues to intrigue Canadian financial circles. The veil of secrecy has now been lifted to some extent and it is understood that the Alberta Government will shortly consider this important problem, taking into consideration the results of the conversations Premier Manning has already had with members of the bondholders' committee in Toronto.

It is to be hoped that the Social Credit Government will take the constructive view that the issues at stake are the rehabilitation of the provincial credit and the removal of the last remaining blot on the Canadian financial record. It should ignore the petty aim of driving a hard bargain with the bondholders. On the other hand, it is likewise to be desired that the bondholders' committee conduct any future negotiations with an open mind, free from preconceived punitive thoughts and reluctance to deal with the Social Credit Government.

Another issue in another field which unfortunately continues to occupy public attention is the Canadian Army reinforcement controversy. Statements by Prime Minister King and the new Defense Minister McNaughton having failed to allay the popular concern, Mr. King has just announced that the House of Commons would assemble on Nov. 22 instead of Jan. 31, and the matter will now be fought out on the floor of the House in accordance with the best democratic procedure.

It is to be deplored that this matter has been raised at this late stage of the war in view of the following facts:

(a) The issue has been forced for political reasons to embarrass the Administration on the eve of a Federal election.

(b) Canadian arms have distinguished themselves wherever engaged, and if General McNaughton's views had been followed with regard to maintaining one army instead of splitting the Canadian forces into smaller units serving in separate theaters of war, the reinforcement problem would not have become acute.

(c) This issue serves only to promote national disunity, and the problem of French-speaking Canada, which requires and has received kid-glove handling on the part of Prime Minister King, is now the principal debating point in the heated atmosphere of an election campaign.

However, it is to be hoped that Parliament will raise the issue above the plane of partisan politics. At this stage, certainly, Canada should present to the world a united front and continue to play the role in world affairs that has been so justly earned by her magnificent wartime achievements, both in the field of production as well as on the field of battle.

Turning to market developments of the past week, there was little to record as far as activity in external bonds was concerned; turnover was limited and prices mostly unchanged. There was, however, considerable activity in internal issues, mostly in the shape of Seventh Victory Loan subscriptions and the free Canadian dollar strengthened to 9¾% discount.

The mystery of the firmness of free Canadian funds in the face of exceptional offerings resulting from currency sales by holders of internal issues called and maturing on Oct. 15 last is now explained. Usually large institutional purchases during loan drives are covered at the official rate. During the loan just completed, for the first time in the case of an important amount, the funds were secured on the free market. When it is realized that one such order ran into eight figures it can readily be imagined what would have transpired in the absence of support of this kind.

Although the Seventh Victory Loan has been triumphantly concluded with a record subscription which will probably total a little short of $1½ billion, political controversies which might precipitate a Federal election are likely to constitute a factor that will tend to offset the resumption of activity and market strength that normally follows the termination of a successful loan drive.

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CANADIAN SECURITIES

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Investment of U. S. Capital Abroad

(Continued from page 2133)

local hostility and beset by depression.

The years of difficulty showed up the carelessness with which we had conducted foreign investment operations; they exposed the inadequacy of some of the governments to whom we accorded financial support and the evil intentions of others; they revealed the instability of the flow of world trade on which foreign investment is dependent; and, they demonstrated that the role of creditor is not a painless or beloved one and that if we wish to derive direct and sustained national benefit from foreign investment we must accept the products of foreign countries on an increasing scale.

The shock was so unpleasant that it dimmed appreciation of the fact that a large part of the investment, despite all the turmoil of the years, eventually proved advantageous to both the recipient countries and the United States. We gave ourselves over whole-heartedly to disillusionment. Economists concluded that we were unfit for foreign investment activity since we were unwilling to behave as a creditor country; bankers repented and investors lamented; and advocates of political isolation in public office undertook to underline a moral—that we must in no way entangle our affairs with those of the outside world.

The mood today appears completely changed. We are witnessing an enormous, if somewhat bewildered, upsurge of new interest in the possibilities of resuming American foreign investment on a great scale. Few are the proposals that do not contemplate substantial American investment abroad, whether designed to guide the readjustment of American economy to a satisfactory peace-time basis, to restore trade relations between countries, or to provide a firm basis for our international peace plans.

The change in our attitude has emerged, in part from the growth of our understanding of our international political position, in part from a sense of economic need.

We now come to a recognition that we cannot isolate ourselves from the outside world. We have been forced to reach the conclusion that it will be possible to live in peace and order only if the whole world is peaceful and orderly. We admit the necessity of playing a full part in a concerted effort to prevent future wars. We perceive that we must support this effort by our conduct in economic affairs; and that we cannot entirely refuse aid to other countries seeking to improve their economic life — provided they are trustworthy partners in our aspirations.

Our response to this perception of our political position is stimulated by the hope that the extension of financial assistance to others may relieve our own economic difficulties. We have greatly enlarged our productive capacity. The outflow of goods that many branches of American production, as now organized and equipped, are prepared to offer will be in excess of American demand. We are receptive to any possibility that may soften or graduate the necessity of making great shifts in the distribution of our productive activity—involving much, if only temporary, unemployment. The renewal of foreign investment as a means of maintaining exports appears to provide an attractive escape. In other words, there is a strong element of half helpless compulsion in our return towards a program of foreign investment.

The change in our own mood and sense of need corresponds to a reciprocal change of desire and need in foreign lands. During the period of default and dispute, many foreign countries gave themselves over to the opinion that they had received little or no benefit from the employment of our capital, that our loan terms had been excessive, that we were a rigid and unsatisfactory banker, and that the obligations they had assumed were an unbearable burden on their production and trade. But now again, the plans and hopes of many of them are centered on the possibility of procuring capital from us.

During this war the United States has served as the indispensable source of supply of ships, tanks, planes, guns, machines, foodstuffs, and raw materials for all countries fighting by our side. The continuance of the flow of products from the United States in the post-war period seems to many of them equally indispensable to their recovery and progress.

Such is the magnetic field of attraction for our capital. Its force is so compelling, and the moving aim so desirable that the mind almost rebukes itself for having any reservations as regards the easy and complete consummation, through the investment process, of the marriage between surplus and need.

However, we cannot afford to risk a second failure of our hopes and expectations. It is essential that this time we enter upon our foreign investment activity with a clear understanding of its problems and limitations, and of what will be required of us and other countries if the investment is to have a healthy maturity and serve the cause of peace.

II.

Post-War Demand for American Capital

The examination may begin by closer scrutiny of the prospective demand for American capital. It will in the main represent the wish of foreign countries to secure for immediate use a greater supply of American goods than they can pay for immediately in dollars.

There will be a need, particularly in countries fighting the Axis, for the primary means of living—food, clothing, drugs, tools, household furnishings, seeds, fertilizers, petroleum and the like. In these same countries and others there will be need for raw materials in order to resume production; there will be a great lack of textiles, fibres, hides, the heavy chemicals, fuels and metals, rubber and the like.

Simultaneously, there will be a great unsatisfied demand throughout the world for the apparatus of convenient living and quick travel—for products such as automobles, plumbing and lighting fixtures, refrigerators and radios.

Products of these varieties pass quickly into use and consumption. Therefore, it has in the past been judged unwise practice to grant or incur long-term debts to finance their procurement. However, since some countries will not be able to finance their purchases on any other basis, justification exists for disregarding the traditional test—as regards minimum requirements of essentials.

A more usual basis of long-term credit will be the demand for capital equipment. This will arise in part from the need to repair the damages of war. But even in the undamaged countries it will be strong; the wish for industrial expansion or diversification is universal. Wherever, as in India, millions of people are living in miserable poverty; wherever, as in China, a suffering nation is chewing at the bitter cud of weakness; wherever, as in much of Latin America, sparsely settled peoples find themselves poor, despite possession of broad lands; wherever vigorous peoples, such as those of the British Dominions, control the necessary raw materials and have grown certain of their ability to operate large-scale machine industry with competence, hope and purpose are concentrated upon the acquisition of capital equipment.

There may be, alas, one other prompting source of demand for American products and American capital—the wish of nations to sustain or increase their military strength. This is a gravely disconcerting thought. But it cannot be banished until and unless nations create a truly effective system of international order and cooperation.

Such will be the various currents of need behind the efforts of foreign governments and enterprises to secure dollar loans.

Simultaneously, American business enterprises will be exploring the world for new investment opportunity—in the operation of public utilities, the exploitation of natural resources, the establishment of factories, and the conduct of trade. This type of investment, commonly known as "Direct Investment," made up almost half of our foreign investment during the 20's; and it is the half that has, in the main, survived and prospered.

But whether American business enterprise will find in the future many good new opportunities—wherein it would have sufficient freedom of action and safety—is one of the great uncertainties. For the right to engage in the more basic and stable branches of production, and to own or develop natural resources is in many countries being increasingly reserved for the Government itself or for domestic capital; and in various others where no exclusion exists, the regulations, controls, and burdens discourage hope of large and assured returns. Few countries are in fact free of a wish, open or furtive, to keep the direct activities of private foreign capital well curbed; it has been made increasingly to feel like a stranger and vulnerable to assault.

Many countries will be in a position during the immediate post-war years to satisfy their needs for American products and to finance their economic development out of their own accumulations of gold and dollar funds.

The outside world, taken as a whole, holds a greater total of gold and dollar exchange than ever before. By the end of 1944 it is reckoned that it will possess fifteen billions of gold (which is greater than the total gold supply of the world in 1929); dollar balances and dollar securities of at least six billions each. This, added to the flow of dollars that will currently accrue to foreign countries as a result of American purchases and later war expenditure, will constitute a total volume of external purchasing power for American products of unprecedented dimensions.

The ownership of these gold and dollar resources, however, is most unevenly distributed. Of the total, three billions or more belong to the small European neutrals—Sweden, Switzerland, Spain, Portugal, Turkey, Eire. These countries will obviously be in a position to dispense with the new American investment. Another great part of the total has accumulated to the credit of the countries of the Middle East and of India, although their balances have largely been transmuted into sterling balances; provided these balances can gradually be liquidated, they, too, would appear to be far less dependent on outside sources of capital than before the war. The British Dominions—Canada, Australia, New Zealand and South Africa—have similarly improved the state of their external accounts and added to their external assets; it would appear that they would have little need of resorting to borrowing or courting foreign capital in the near future.

The gold and dollar assets of the Latin American Republics, taken as a whole, have grown tremendously. They approximate four billions. The possession of these assets should make it possible for many of them to carry out with their own resources many types of undertakings for which in the past they have had to resort to foreign financing. However, most of the gold and dollar balances belong not to the governments of the Latin American Republics, but to central banks and private interests; their owners must be induced to invest them within their own countries if they are to do the work hitherto carried out by foreign capital. Further, the great bulk of the external assets belong to a few of the larger Latin American Republics. Some of the poorer countries will soon exhaust their resources if their exports decline; and the zest and zeal of even the larger ones for internal industrial development will outstrip their enlarged resources.

A substantial part of the world, it would appear, will be amply supplied with dollar assets. The war will have endowed them with savings that will enable them to draw upon the production of the United States to satisfy their wants and substantially to enlarge their physical productive plant without incurring debt.

In contrast, there will stand the countries that the war has impoverished. Various countries of Western Europe—France, Belgium, Holland, Denmark, Norway—still possess substantial holdings of gold, dollars, and American securities; but these will be required to repair the ravages of war and may prove far from sufficient even for that purpose. These countries in all probability will turn to the United States for the means of reconstruction and of development, both in their home territories and possibly also in their empire. Various countries of Eastern Europe—Poland, Czechoslovakia, Jugoslavia, Greece, and others will be in a still more desperate plight.

Great Britain and the Empire will present to us for decision a most crucial series of questions. Its stock of long-term foreign investments has declined from about sixteen billions to not much more than half that amount. It has incurred a debt in the form of frozen sterling balances belonging to other countries of ten billions or more, against which its own holdings of gold and foreign balances probably will not exceed three billions. Its receipts of investment income from abroad will be reduced; prospects of earnings from its shipping industry will be uncertain; its import needs, save as regards foodstuffs, will be greater than before the war.

In order to be able to secure necessary imports and meet its external obligations, Great Britain will have to be assured of sufficient receipts from exports, have recourse to foreign financial aid, or some combination of these two sources of external purchasing power. If Great Britain undertakes to solve the problem primarily by enforcing a strict balance of income and outlay in its trade with each foreign country or group of countries many disputes with American export interests may be provoked. The question that will come before us is whether we can work out with Great Britain some financial or investment basis that will make possible a concert of economic policy. One of the obstacles to such an arrangement may be the probable disinclination of Great Britain to contract a new long-term debt of traditional form; it will seek ways of acquiring dollars that will not represent a dead-weight of rigid obligation, as through a continuation of Lend-Lease Aid or some arrangement whereby we accept what may be termed "delayed-use" sterling for dollars.

The USSR and China both will require large amounts of foreign capital to restore and advance their economic life. The USSR will emerge from the war with great proven productive capacities, and domains possessing large supplies of almost all important raw materials. It will have a substantial gold supply and gold production. Its credit will be acceptable to many American enterprises, and its powers of repayment of Government obligations will be impressive. A firm economic basis exists for long-term advances to the USSR, either by private capital or the Government, or both. But this will become fully effective only if our political relations are tranquil; the necessary arrangements would be spurred on by the achievement of clear and affirmed understanding regarding international political issues; it would be cooled or deferred if a basis of mutual trust is not firmly established.

China's need will be more desperate and its economic outlook more helpless. Currently, China may accumulate sizable foreign balances out of American and British war expenditures—which balances she is unable to convert into goods during the war; but the resources thus derived will be insufficient for her needs. Almost fifteen years of struggle against Japan has not only impoverished the land and the people but shaken the orderly and progressive governmental program that was in the making before the Japanese aggression. Its powers of repayment of great sums in the near future would be extremely uncertain. Any large-scale investment in that land must be a humane investment in a friendly and gifted people, rather than a strict financial venture.

So much by way of panoramic summary of the prospective main demands for American investment abroad.

III.

Reasons for Post-War Foreign Investment

There is no doubt as to our ability to respond to these demands without depriving ourselves in any significant way of needed financial resources or of goods. But will it be our duty and to our economic advantage to do so?

I think it will be our **duty** to respond to the more urgent needs of foreign countries for capital, provided their friendliness to us is plain and their devotion to peace evident. Such action is an essential counterpart of our effort to create a firm basis for peace. Our power to provide capital **could** provide a basis for economic improvement everywhere in which the more reasonable and constructive impulses of man could flourish; it **could** serve to lessen internal disputes, soften trade rivalries, reduce the need for exclusive economic bargains, and foster friendship among nations. It **could** act as a favorable wind behind the sails of belief, where they have been hoisted in the value of international friendship and decent behavior.

It follows that we should make no loans or investments to countries that seem bent on a course inimical to us, or menacing to peace. We should not be seduced by the thought that if we make the lot of a dangerous government easy, it will reform and become a good political associate. The record of the loans extended to Germany, Italy, and Japan serve as a reminder of that fact. We should not gamble upon the reforming magic of capital.

The investment we make partly out of a sense of duty **could**—if we guide the investment wisely and shape our economic policies correctly—also bring us substantial economic advantage. If our capital brings about a significant increase in the productive income of other countries, a permanently enlarged basis of trade between these countries and ourselves may be created. If our capital develops new and efficient sources of supply for products we need, especially raw materials, our own real income could be increased by drawing upon them—if we chose to do so. Our receipts in the way of interest could provide us with an inflow of foreign goods without further effort on our part—again, if we chose to receive them. Such are the possible economic advantages to be gained from a resumption of foreign investment; they reinforce the claim of our duty to cooperate in international finance.

But—and this must be repeated—they are only conjectural possibilities. We could garner them only if three conditions are fulfilled. First, if we are ready and able to receive and make use of a growing volume of foreign goods and services, or in the event we are not ready and able to permit payment in this form, to curtail formal investment operations and resort instead to gifts or subsidies where the need is imperative and the national and international advantage clear; second, if other countries also follow the path of economic cooperation; third, if in the years ahead a genuine sense of security comes to prevail in the world, so that countries do not feel compelled to divert their economic growth into more powerful armaments. Otherwise, our investment would eventually turn out to have been a war subsidy to friends or enemies.

Unless these conditions are satisfactorily realized both the direct and ultimate **economic** benefit to the United States of a resumption of foreign investment must remain in doubt. Our foreign investment program will inevitably be in part a venture in faith in ourselves and in others.

IV.

Effects of Foreign Investment

Let me at this point take heed of one particular ground of doubt and objection to a renewal of American foreign investment that is in many minds. It is feared that if the United States makes capital available to foreign countries for the opening up of new lands, for the development of natural resources and, above all else, for the construction of factories, American export trade and production will suffer injurious displacement and new competition.

This would occur to some extent, as it has in connection with the large capital movements of the past. To take a few instances, the wheat fields of England were displaced by the product of the new lands that were made accessible by the railroads financed in Great Britain; American cotton now competes in world markets with Brazilian production that American capital helped to finance; the oil fields which our capital opened in the Caribbean provides the world with a source of supply competitive with our Gulf Coast fields. Other instances of the same type will no doubt recur if, in the future, American capital opens up new foreign sources of supply of raw materials and foodstuffs competitive with American production.

But the possible adverse effect of such developments upon our economic welfare would be short-lived and out-weighed by the benefits put within our grasp if our economic system is flexible and adaptable. If the production and national income of other countries are enlarged along lines that provide them with greater external buying power, they are likely to become better customers **in total** for American products. The export trade that we lose in some directions would be offset, or more than offset, by trade we gained in others. And if American capital enlarges the total world supply of raw materials and foodstuffs available to all nations at a low price because of low real production cost, we also could, if we so chose, derive advantage therefrom.

In the rare cases where well-established and efficient branches of American production were seriously threatened in the American market by new foreign sources of supply developed by American capital, the record shows we have not been slow to protect them; and I do not anticipate that we will be in the near future.

The same general reasoning regarding probabilities, applies, though somewhat less certainly, to developments in the field of manufacturing. All countries are now eager to extend and diversify their manufacturing activity within their borders. This wish attaches particularly to those branches of manufacture which have become highly simplified and standardized — such as the production of prepared foodstuffs, soap and drugs, clothing, house-building materials, and the simpler chemicals, brewing and distilling, tire and leather manufacture, and automobile assemblage; but it stretches also into fields where the required capital equipment is more expensive and the technique more complex, as in steel and iron manufacture, metal and petroleum refining.

The range of ambition is in many countries indiscriminate and inclined to ignore questions of relative cost and efficiency. It, therefore, is questionable whether some of the new undertakings would add to the real national income and trade of the country in which they were established, and whether we should find indirect economic compensation for the loss of trade that we incurred.

But in the main we probably would. And denial of American capital to countries deeply bent on achieving industrial diversification would only defer, rather than prevent, the process. It would stimulate other countries to reserve the dollars that came into their possession exclusively for the purchase of capital goods. We cannot wisely strive to maintain our industrial supremacy by withholding aid solely on the

(Continued on page 2152)

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November 10, 1944

Economic Effects of the Election

(Continued from page 2130)

for another four years, we venture to indicate briefly what in our view may be expected in various aspects of our present economy.

The Potent Factors

The war, its probable termination, and the problems of the transition to peacetime conditions remain as far more potent factors than politics and the election.

That we have been able to hold an election at all under present war-time conditions is a source of gratification and a tribute to the practical working of our democracy. We are the only major belligerent in which national elections have been held during the war.

The War

Vigorous prosecution of the war is, of course, in no way retarded by the election outcome. Optimism regarding the termination of the German conflict has lately become more restrained since the stiffening resistance displayed by the Germans on their own soil. Mr. Churchill intimated recently that the European war might last until spring or even early summer, although he mentioned military opinion that it still could end this year. Despite the naval victory over Japan, estimates of the length of the Pacific war run from several months to two years after the collapse of Germany.

Reconversion

While the "spot" authorization of resumption of civilian production has been mildly effective, no great volume of such production is anticipated as long as the war with Germany continues. With its termination, cut-backs of probably 40% of war production are likely, with steadily mounting civilian production in substitution. This was anticipated prior to the election, which will cause no change in the schedule.

International Conferences

In view of Mr. Roosevelt's familiarity with international matters, progress may be expected in movements already initiated. The international monetary fund to stabilize currencies and the world bank, proposed at Bretton Woods, should receive attention from the new Congress, and when approved in final form they should be constructive factors in the post-war expansion of our foreign trade.

The international organization to perpetuate peace, outlined at Dumbarton Oaks, has received more favorable attention by both political parties, but before it is ratified by Congress considerable discussion and disagreement may revolve around the extent of the authority to be given to the United States delegate.

Taxes

Before the election the present Administration had already evinced a not unfriendly attitude towards tax reduction, and Congress is expected to begin discussions of tax revision in the near future. A favorable factor is an apparent realization that present taxes are obtaining practically all the revenue possible, and no increases are contemplated or even discussed. On the contrary, some reduction, if not elimination, of the excess profits tax is expected, if not at the end of the European war certainly with the termination of the war with Japan, at which time the normal and surtax rate may be cut from 40% perhaps to 35% or even 30%. There is strong support for the elimination of the capital stock and declared value taxes and of the double taxation of corporate dividends. Change in personal income taxes will probably be confined to the lowest brackets until after total peace arrives.

Money Rates

Prior to the election the Government's attitude towards money rates was well established. In view of the need to refund war loans and Government control of the money market generally, no advance in present low interest rates is anticipated in the foreseeable future.

National Income

The election has no direct bearing on national income, which was $147.9 billions in 1943, is at the rate of approximately $155 billions this year, and is expected to decline with the cessation of war production. Economists estimate a range from $100 billions to $140 billions. Our estimate is that it may be $105 billions in the first year following the end of the Japanese war, rising to $135 billions in the subsequent year.

Unemployment

Unemployment has begun to increase with cutbacks of war contracts, and it is estimated that after the end of the war with Germany the temporary peak will be in the neighborhood of 4 millions, increasing to possibly 8 millions after Japan is defeated. In the campaign just closed Mr. Roosevelt promised that jobs for 60 million workers would be found, which in the light of past experience may foreshadow expansion of public works and more "pump priming."

Wages

There is little doubt that an important factor in the election was the labor support of the Democratic Party. A general expectation exists that the "Little Steel" formula will be breached in the near future, when the application of the steel workers, pending for about a year, will finally be acted upon. Labor will demand higher wage rates to offset loss of overtime pay and reduction in hours of work, and, even although an unemployment problem will arise, the unions probably will succeed in at least part of their demands. Another of labor's goals is the establishment of annual wages instead of hourly wages subject to lay-offs ,already adopted by some corporations. Increases in strikes appear inevitable.

Industrial Production

An economic barometer unaffected by the election is industrial production as measured by the Federal Reserve Board Index. This Index reached a high of 247 a year ago and for several months has shown a gradual decline to the present level of 229. It is likely to recede to the 225 level around the end of the year and to reach 160-175 by the time reconversion is completed.

Cost of Living

It is not believed that the trend of the cost of living is in any way influenced by the outcome of the election. The Department of Commerce index has passed its peak, about 26% above the pre-war level, and shows a slightly declining tendency likely to be maintained next year.

Social Security

An expected result of the continuance of the Democratic Administration is maintenance and expansion of social security. It is already on record as favoring wider coverage of old-age and unemployment insurance, and, while the present rate of tax for these purposes may be "frozen", by Congress for another year the Administration is likely to advocate the broadening of social security by the addition of disability insurance and a plan of insured hospitalization.

OPA

The election has increased the chances of continuing the OPA beyond June 30, 1945, the expiration date prescribed by the present law. The OPA has indicated price ceilings for manufacturers producing civilian items after reconversion based on 1942 prices plus a small percentage to cover increased costs of materials and labor, estimated at not more than 10-15%, at the same time proclaiming that its intention is not to restrict production. If production should be restricted as a result of the OPA's policy, undoubtedly increasing unemployment would cause pressure for changing the ceilings.

Commodity Prices

A feature of this Administration has been its generous support of farm prices, a policy which undoubtedly will be continued especially if, as anticipated, the end of the European war is indicative of lower commodity prices as a result of accumulated surpluses.

Investments

High-grade bonds and preferred stocks will be unaffected by the election, their yields remaining under the influence of low interest rates. As the continuance of the present Administration does not provide the incentive for speculation that a Republican victory probably would have encouraged, discount bonds and preferred stocks with their more liberal yields and potentialities for appreciation and the good income type of common stock with a steady dividend record should continue in favor with investors in preference to the speculative type of security.

The Stock Market

Without considering what might have occurred if the Republican Party had won the election, a realistic view of the market is that, since the war-stimulated rise in industrial production was not accompanied by a commensurate rise in stock prices, the present declining production tendency need not be reflected in lower stock prices. We should not be surprised to see the Dow-Jones Industrial Stock Average exceed last July's high of 150.50 during the next three months, with a range of 142-155. While a reaction is probable during the most upsetting phase of reconversion, that period should be succeeded by an era of great post-war prosperity, accompanied by stock prices at a new high level.

Conclusion

The re-election of President Roosevelt, while not as pleasing to business and industry and investors generally as a Dewey victory would have been, provides no grounds for discouragement. It seems clear that the people have endorsed Mr. Roosevelt's foreign policy rather than his domestic management. His expressed concern over employment and other problems, his reiteration of belief in the free enterprise system, combined with the presence of an independent faction in the new Congress, give promise of an effective brake on any further radical anti-business legislation. This, while unlikely to encourage the use of venture capital to the same degree as would have been seen under Republican auspices, on the whole is reassuring to business. For its part, industry will adjust itself and proceed with progressive expansion plans, anticipating a period of sound and abundant prosperity after reconversion is completed. Regardless of the outcome of the election, the backlog of goods to be supplied and the initiative of business men warrant the anticipation of reasonable profits.

Discount bonds and preferred stocks and good dividend-paying common stocks should continue to appeal to investors more than speculative securities.—*Reprinted from "Investment Timing" of Nov. 9, 1944, published by the Economics & Investment Department of the National Securities & Research Corporation of New York City.*

Proposes Plan to Aid Small Business Raise Venture Capital

(Continued from page 2131)

terest or dividends or a return of the principal. From this it may be construed that venture capital and equity securities such as represented by preferred and common stocks are synonymous.

Turning to the handicaps of small business, Mr. Weissman referred to the various investigations which have been made into the relative profitableness of small and large sized concerns, and from the data furnished by these studies, he concluded that the difficulties in obtaining capital of small and medium sized corporations was not due to higher operating costs or lower rates of profit, but rather might be ascribed to investment banking conditions which make it difficult and expensive to float small issues of securities.

"It has been evident, for some years," Mr. Weissman stated, "that the investment banking mechanism does not function properly insofar as small and medium sized business is concerned."

"While the various Congressional committees have collected a great amount of valuable data," he continued, "the plans that have emerged thus far have been confined to methods of obtaining loans rather than equity funds. A small trickle of funds has been obtained from the capital markets through the sale of securities to the public, but the cost of flotation has been high. The Government and quasi-public agencies have been limited to the making of loans, and the few local private organizations now in operation cannot take care of the requirements on a nation-wide scale."

Accordingly, Mr. Weissman maintains that there is "a gap" in what the Government should do in the way of assisting the financing of small business. This gap can be closed only by facilitating the acquisition of venture or equity capital. He pointed out that the SEC studies indicate that small as well as large businesses are well supplied with working capital, but the great need is for permanent capital which cannot be obtained by short-term commercial loans.

To supply this need Mr. Weissman proposed a method for institutionalizing investment in small and medium sized business, including the purchase of equity securities.

His plan involves the creation of a Federal Reserve Investment Corporation, to be organized along regional lines within the Federal Reserve System. The capital would be provided by the commercial banks, which would own the stock of the regional investment institutions in the way that they own the stock of the Federal Reserve Banks. There would be no mixture of deposit and investment banking similar to the practices of the twenties, which resulted in abuses. Although the commercial banks have been willing to extend credit to sound businesses, they are restricted by law in their lending activities. Provision would be made for supervision by the Board of Governors of the Federal Reserve System. The Federal Reserve Investment Corporation would have broad authority in the choice of its investments. Business could continue to obtain capital by any other means.

Mr. Weissman stated: "In this way a skilled group of investment organizations would develop, enabling small enterprise to obtain funds independently of the vagaries of the market. These organizations could also provide engineering, marketing and management service on an inexpensive basis." Legislation would be necessary to establish such organizations.

As a means of governing the regional investment institutions, which would be under the general supervision of the Board of Governors of the Federal Reserve System, Mr. Weissman proposed that each should have nine directors, three to be appointed by the stockholding commercial banks, three by the District Federal Reserve Bank and three by the Federal Reserve Board. One of the latter should be "an investment banker" and represent investment banking interests.

In addition to the capital furnished by the participating banks (and Mr. Weissman stated such participation should be "voluntary") the regional investment institutions would issue debentures, similar to those of the Agriculture Intermediate Credit Banks.

"The great advantage of such an institution as I propose," said Mr. Weissman, "is that capital could be furnished to small business without regard to investment market conditions." He maintained, also, that each regional bank would build up a staff of investment experts, business engineers, and the like.

Mr. Weissman concluded his talk by proposing tax relief as a further small business aid. "Tax legislation," Mr. Weissman said, "should approach the question in two ways: lightening the burden on small business and new enterprise, and making investment by individuals more attractive. Moderate exemptions from capital-gains taxation and income from investment in new enterprise would be constructive."

"Graduated corporate taxes should be maintained, not to place undue burdens on large enterprises, but to help stimulate competition, and reduce to some extent the advantages of established, big corporations," Mr. Weissman added.

Kidder, Peabody Offers Maine Central Bonds

Kidder, Peabody & Co. and associates on Nov. 15 offered $4,500,000 of Maine Central RR. first mortgage and collateral series B 4% bonds, due on Dec. 1, 1954, at par and accrued interest. These bonds are part of a total issue of $9,000,000, of which the balance will be sold to two insurance companies.

Proceeds from the sale of the issue, together with treasury funds, will be used to redeem all of the road's presently outstanding $9,878,000 of first mortgage and collateral series A 4% bonds, due on Dec. 1, 1945, by call at par.

Other members of the offering group are H. M. Payson & Co.; Coffin & Burr, Inc.; Estabrook & Co.; Stone & Webster and Blodget, Inc.; Whiting, Weeks & Stubbs; R. L. Day & Co.; Hornblower & Weeks; Maine Securities Co.; Bond & Goodwin, Inc., and Townsend, Dabney & Tyson.

Municipal News & Notes

We have previously noted in this space the existence of divergent views within the municipal fraternity as to the probable course of municipal bond prices with the return of more normal conditions in the nation's economy. On the one hand, there is a group that holds to the opinion that, generally speaking, the existing high levels will prevail for some time after the initial readjustment to a peacetime basis has been completed.

The other segment takes the position that the present record low yields are purely the product of war conditions and that, more or less simultaneously with the cessation of hostilities in Europe, for example, a trend toward sharply lower levels is inevitable.

Like all discussions hinging on probable post-war conditions, the opposing camps on the question of potential municipal bond prices are able to present seemingly effective arguments in support of their respective positions.

We mention all of the foregoing primarily by way of making reference to a recent contribution on the subject by Charles P. Burgess, municipal bond analyst of Kaiser & Co., San Francisco and New York. Mr. Burgess, whose article, captioned "Post-War Municipal Bond Yields and the Future of Interest Rates," is given in full in today's issue starting on page 2131, presents an elaborate case history of the reduction that has occurred in yields on high-grade municipals during the past 12 years. The change, as he illustrates, has been from "rather generous levels almost to the vanishing point."

In light of a rather painstaking analysis of the various factors bearing on the question of municipal prices, with particular reference to the question of Federal taxes, it is Mr. Burgess' opinion that "there are cogent reasons for anticipating a return to somewhat higher yield levels." He urges that "investors weigh these possibilities carefully instead of complacently accepting the market per se."

Nov. 7 Bond Issue Approvals Heavy

Not the least of the several factors seen as having an important bearing on the future level of municipal prices concerns the probable volume of new financing likely to be negotiated by the States and their local subdivisions when present war-induced deterrents to new capital projects and improvements have been largely removed. Some indication of the scope of this potential supply of new issues is available in the results of Nov. 7 voting in various States and lower levels of government on bond issue proposals.

As indicated in this space last week, the returns thus far show that the bulk of the approximately $250,000,000 in bond proposals up for consideration were approved by the electorates.

It must be remembered, of course, that many public bodies have developed plans for a variety of post-war projects and improvements and are empowered to undertake the financing incident thereto without obtaining sanction of the voters. Thus, as previously noted, the volume of bonds authorized at the recent general election conceivably constitutes only a relatively small percentage of the potential amount of State and municipal borrowing likely to ensue on the basis of continuing reports of projects and improvements now being contemplated. Actually, it is extremely difficult to forecast with any degree of accuracy what the future portends with respect to the volume of municipal borrowing.

Past Borrowings

It may be, however, that some idea of the potential may be obtained on the basis of the past record of State and municipal borrowings. In this regard, it may be observed that, according to our compilations, the yearly output of municipals during the years 1923-1941, excluding refunding issues, was approximately $1,400,000,000.

In subsequent years up to and including 1941, the annual average was about $1,000,000,000, but this figure included the heavy borrowing for refunding purposes which characterized municipal market operations throughout that period.

The impact of such borrowing on the over-all output in those years is illustrated in the following tabular record:

Year—	New Capital Issues	Refundings	Grand Total
1932	$762,479,650	$87,000,429	$849,480,079
1933	483,397,974	37,080,049	520,478,023
1934	802,978,254	136,475,679	939,453,933
1935	854,999,793	365,150,304	1,220,150,097
1936	734,908,886	382,442,632	1,117,351,518
1937	711,628,367	190,678,795	902,307,162
1938	970,613,500	129,144,000	1,099,757,500
1939	930,822,000	195,079,000	1,125,901,000
1940	751,323,509	482,383,465	1,233,706,974
1941	518,105,273	434,509,900	952,615,173

As for municipal financing in the years beginning with 1942, the diminutive totals reflect the war conditions which made it impossible for States and municipalities to undertake new construction projects or even to make other than nominal improvements and repairs. Thus, in 1942, the grand aggregate of State and municipal sales was only $523,704,607, and this figure included $181,264,294 for refunding, leaving strictly new capital borrowings of no more than $342,440,313. For 1943 the total was $435,223,191, of which $259,481,836 was for refunding and $175,741,355 for new capital indebtedness. During the first 10 months of 1944 borrowings have amounted to $533,668,942, with refunding accounting for $324,672,975, the balance of $208,995,967 representing new evidences of debt.

It will be seen from the foregoing figures, particularly those covering the non-war but depression years of 1932-1941, that the annual volume of State and municipal financing in the post-war years would attain vast proportions if measured only against the annual average output of $1,400,000,000 of new issues floated during the "normal" years of 1923-1931.

The decline from that point to the average levels of new capital borrowings that prevailed throughout 1932-1941 obviously was the result of depression difficulties which forced States and municipalities to exercise caution in the matter of creating new debts. Another factor, of course, was the ability of local governments to shoulder on the Federal Government, via PWA grants, a substantial part of the cost of municipal government, including, of course, the relief burden.

Current Awards and Financing in Prospect

The City of St. Petersburg, Fla., unexpectedly effected sale on Tuesday of the $18,000,000 refunding bonds which the Sunshine City had unsuccessfully offered on two occasions earlier in the year. The city disposed of the obligations to a syndicate headed by Allen & Co., New York City, on a bid of 98 for 2¾s. This compares with terms of 98.02 for 3s offered by a syndicate at the second abortive competitive offering on July 27.

Associated with Allen & Co. in the purchase are Florida National Bank of Jacksonville, Commerce Union Bank of Nashville, Leedy, Wheeler & Co., Orlando, Robert Hawkins & Co., Boston, Clyde C. Pierce Corp., Jacksonville, and Sullivan, Nelson & Goss of West Palm Beach.

* * *

The City of New York accepted bids Nov. 14 on $13,894,000 principal amount of corporate stock and serial bonds for the account of various municipal pension funds. C. J. Devine & Co. of New York obtained award of $6,994,000 of the offering at a price of 113.45, and the balance of $6,900,000 went to the Chase National Bank of New York and associates at a price of 120.67. The entire sale consisted of relatively short-dated obligations, the longest maturity being in 1954.

* * *

Recent additions to the calendar of pending sales included an offering of $1,115,000 New York City Housing Authority refundings for which sealed bids will be received on Nov. 20.

Known as Vladeck City Houses Refunding bonds of 1944, the obligations are unconditionally guaranteed by the City of New York.

* * *

Other large-scale awards currently scheduled to develop as of this date include the following: $6,000,000 Seattle, Wash., and $2,800,000 Fort Myers, Fla., both slated for today; $1,000,000 Savannah, Ga., on Nov. 18; $2,000,000 Cleveland, Ohio, on Nov. 30, and $3,000,000 by East Baton Rouge Parish, La., on Dec. 15.

New York State Legal List May be Broadened

Prospects of a broadening of the New York State legal investment list to include various municipal and corporate securities presently forbidden from the portfolios of the State's savings banks is seen in a recent ruling handed down by State Attorney General Nathaniel L. Goldstein at the request of Elliott V. Bell, State Superintendent of Banks.

In brief, the Attorney General held that under Section 14-1-F of the 1938 Banking Law, the Banking Board is empowered, by a three-fifths vote, to permit savings banks to invest in municipals and/or corporates "for which specific tests as to eligibility are provided, but which do not fully meet such tests."

This, in effect, is in line with the principle of the so-called "prudent man" investment rule which judges the desirability of investments on the basis of present and future prospects, rather than with reference to previous history. There are in the municipal field, for example, a number of highly-rated credits which do not qualify for the New York legal list solely because of a default dating back many years, a recurrence of which is not likely in view of the elimination of the factors which caused the original difficulty and in light of the excellent record achieved by the credit since that time.

Autocar Interesting

Common stock of Autocar Co. offers interesting possibilities, according to a memorandum issued by Cohu & Torrey, One Wall St., New York City, members of the New York Stock Exchange. Copies may be had from Cohu & Torrey upon request.

$1,115,000

NEW YORK CITY HOUSING AUTHORITY

Vladeck City Houses Refunding Bonds, 1944
Guaranteed by the City of New York

SEALED PROPOSALS will be received by New York City Housing Authority (herein called the "Authority") at its office at 122 East 42nd Street in the Borough of Manhattan, City of New York, at 11 o'clock A. M. Eastern War Time on

NOVEMBER 20, 1944,

for the purchase of $1,115,000 bonds of New York City Housing Authority to be known as "Vladeck City Houses Refunding Bonds, 1944" (herein called the "Bonds").

The City of New York will unconditionally guarantee punctual payment of the principal of and interest on the Bonds and will pledge the faith and credit of the City for the performance of the guaranty. The City will have power and be obligated, if necessary, to levy **ad valorem** taxes upon all taxable property within the City without limitation of rate or amount in order to pay the Bonds in case of default by the Authority in the payment thereof.

The Bonds will be dated and will bear interest from August 1, 1944, will be of the denomination of $1,000 each, numbered from one consecutively upwards in order of maturity, and will mature in such annual serial installments and will bear such rate or rates of interest as shall be set forth in the proposal accepted by the Authority. Interest will be payable semi-annually on February 1 and August 1 of each year. The principal of and interest on the Bonds will be payable at the office of Bankers Trust Company in New York City in any coin or currency of the United States of America which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

The Bonds maturing on or after February 1, 1951 will be redeemable prior to maturity at the option of the Authority on February 1, 1950 or any interest payment date thereafter, as a whole, or in part, in the inverse order of their numbers, at a redemption price of par and accrued interest to date of redemption plus a premium of four per centum (4%) of their par value if redeemed on or before February 1, 1955; or a premium of three per centum (3%) of their par value if redeemed thereafter, but on or before February 1, 1960; or a premium of two per centum (2%) of their par value if redeemed thereafter, but on or before February 1, 1965; or a premium of one per centum (1%) of their par value if redeemed thereafter.

The Bonds will be secured by a pledge of a contract and of the payments thereunder between the Authority and The City of New York by the terms of which the said City agrees to pay to the Authority on January 15 of each year beginning in 1945 a sum which, as of the date of the issue of the Bonds, will equal the principal thereof and interest thereon due and payable in each such year, without adjustment if any Bonds are retired before maturity, and said payments are to continue to and including the year in which the last of the Bonds mature. The Bonds are further secured by a pledge of revenues, subject to the right of the Authority to apply them to operating and other expenses and, so long as there is no default in principal or interest, to other purposes.

Each proposal must set forth the annual serial maturities for the Bonds and the interest rate which the Bonds of each maturity are to bear, which must comply with the limitations herein stated. The Bonds will mature on February 1 of each year, beginning February 1, 1945 and ending not later than February 1, 1980. The interest rate on the bonds will not exceed six per cent (6%) and will be a multiple of one-eighth or one-tenth of one per centum. The Bonds of different maturities may bear different rates of interest but all Bonds of the same maturity will bear the same rate of interest. The annual maturities and the interest rates shall be such that the aggregate of the principal and interest of the Bonds due and payable in any year shall as nearly as practicable equal, but not exceed, $59,100. (In making this computation for the year 1945, interest payable in that year shall include interest from August 1, 1944, with no allowance for accrued interest to be paid to the Authority on delivery of the Bonds.)

Each proposal shall offer to purchase all the Bonds at a price not less than par and accrued interest to the date of delivery.

The Authority reserves the right to reject any and all proposals. The Bonds will be awarded to the bidder whose proposal results in the lowest interest cost to the Authority. The interest cost shall be determined by aggregating the annual interest requirements over the life of such Bonds and deducting therefrom the premium, if any, specified in the proposal. Each proposal shall be accompanied by a table showing (a) the years during which the Bonds mature, (b) the amount of Bonds maturing in each year, (c) the interest rate borne by the Bonds maturing in each year, (d) the semi-annual interest amount on each maturity, (e) the interest payable on each semi-annual interest payment date in each year and the total thereof, (f) the aggregate of principal and interest payable in each year; and shall also state the net average annual interest rate to the Authority under the terms of the proposal expressed as a percentage carried out to four decimal places.

All proposals must be on the form of proposal prescribed by the Authority and must be accompanied by a certified check drawn on, or a cashier's check of, a national or state banking institution, the principal office of which is located in New York City, in the sum of $22,300 payable to New York City Housing Authority.

The opinion of Hawkins, Delafield & Longfellow, bond counsel of the Authority, approving the validity of the Bonds will be delivered to the purchaser without charge.

In the opinion of said counsel the exemption from Federal income tax of the interest on the Bonds is not free from doubt. Under date of October 30, 1939, prior to and in connection with the issue of the bonds of the Authority to be refunded by this issue, the Deputy Commissioner of Internal Revenue ruled that such bonds would be exempt.

In the opinion of said counsel, interest on the Bonds, under existing law, is exempt from New York State income tax.

The official form of proposal and further information concerning the Bonds may be obtained from the Authority at its office.

Dated: November 10, 1944.

NEW YORK CITY HOUSING AUTHORITY
By EDMOND B. BUTLER, Chairman.

Post-War Appraisal of Railroad Securities

Approximately two-thirds of the present record-breaking traffic handled by the railroads originates in the production of materials and supplies for the armed forces or lend-lease according to a survey of the railroad industry just completed by E. F. Hutton & Company and summarized in a booklet called "Post-War Appraisal of Railroad Securities." This study concludes that even though the decline in rail tonnage from present levels will be greatly cushioned by the accumulated deficiencies of consumer goods, nevertheless, high costs of labor, supplies and fuel will bring rail earnings to around the 1940 level at an early stage of the post-war conversion period.

Notwithstanding the conservative basis for post-war earnings projection, the survey states that many individual railroad securities are currently priced lower than their normal intrinsic value based on estimated post-war earnings. A large number of such issues are found among the new fixed mortgage issues and the better grade of income bonds in the reorganization rail group. On the other hand, junior rail securities are selling at values more in line with present war-time earnings. The survey, therefore, concludes that the market for railroad securities generally must be expected to undergo considerable adjustment to the expected post-war operating conditions and earnings for the industry.

NY Attorneys To Speak At New School For Social Research

Percival A. Jackson, New York attorney, will speak on "Protecting the Minority Security Holder" at the New School for Social Research, 66 West 12th St., on Nov. 17, at 8:30 p. m., in the series "Ten Years of the SEC," under the chairmanship of Rudolph L. Weissman.

I. Bendiner will speak on "Taxation of Life Insurance and Pension Trusts" on Tuesday, Nov. 21, at 8:30 p. m., in the weekly symposium on war-time taxes, of which Alex M. Hamburg is Chairman. Mr. Bendiner is an attorney and insurance consultant.

Peace By Force in An Uncivilized World

(Continued from page 2130)

The permanent members of the Security Council will include: the United States, Britain, Russia, China and in due course, France. In addition, the General Assembly is to elect six smaller powers to membership in the Security Council for a term of two years, three retiring each year who will not be immediately eligible for reelection.

The important question of voting parity in the Security Council is still under consideration. The voting parity of the eleven powers is, in the opinion of most analysts, the heart of the whole matter. This upper body shall be organized so as to be able to function continuously and will be permanently located at the headquarters of the organization.

Membership in the proposed organization shall be open to "all peace loving nations." The organization is to be called "The United Nations." All the Powers connected with the organization shall be members of the General Assembly. The numerical representation of each Power in the General Assembly is to be specified in the charter after a later conference, but each member Power shall have only one vote.

The Purposes of "The United Nations" League

The main purpose of the organization is "to maintain international peace and security; and to that end to take effective collective measures for the prevention and removal of threats to the peace and the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means adjustment or settlement of international disputes which may lead to a breach of the peace." A second purpose is "to develop friendly relations among nations and to take other appropriate measures to strengthen universal peace." This is followed by a third declaration "to achieve international cooperation in the solution of international economic, social and other humanitarian problems," and a fourth declaration "to afford a center for harmonizing the actions of nations in the achievement of these common ends."

How Will the Small Powers Regard Their Functions?

It is a safe prediction to say that the Dumbarton plan will not be received with unalloyed joy by the small nations, for it offers little more than the right of representation in the General Assembly, which is to meet in regular annual sessions and in such special sessions as occasion may require. Without question, the smaller nations, unless they are to be wax figures in the Dumbarton plan, will demand that more power be conferred upon the General Assembly.

The functions and powers of the General Assembly are much like that of a debating society privileged to debate a limited range of questions subject to the control of the Security Council. The General Assembly will not be permitted to make any recommendations, in many particulars, without an invitation from the Security Council to do so.

The League of Nations vs. The United Nations League

The new United Nations League differs from the League of Nations inasmuch as the latter organization: (1) could not enforce its decisions (its chief defect); (2) a unanimous vote was required in both the Assembly and the Council on all important questions; (3) members were not obligated to submit disputes to the League of Nations, and (4) no machinery existed for the creation of new law or "peaceful changes." The United Nations League, however, has made provisions for the first three of these defects and provides for Regional agencies to deal with matters relating to the preservation of peace suitable for regional action. There are also procedures for a military staff committee as well as auxiliary organizations: labor, economics, finance, health, intellectual cooperation and other similar bodies.

So much for the principal formulas. Let us put on our spectacles and carefully examine the fundamental principles of the Dumbarton Plan as they would affect our country.

World Police Force

First and foremost is the question of this country's participation in an international police force. Will the American people willingly leave it to the Security Council to send American troops into battle on the authority and initiative of the Security Council?

Will U. S. Depend on Its Representative's Sole Judgment to Declare War?

Will the one member representing the United States on the Security Council be empowered to decide on his sole judgment for 136 million Americans whether the armed strength of this country should be used to suppress aggression anywhere in the world and thus plunge us into another war?

Will Congress by Constitutional amendment abdicate its exclusive right to declare war or to decide whether or not American armed strength should be used at all to a solitary representative? Under our representative and democratic form of Government it is almost useless to suppose that we would place the power of determining war in the hands of any one individual appointee of the President.

Will the American people run the risk of having a representative on the Security Council who may be a personal appointee of a self-willed President who may have little respect for Constitutional processes, and less for our cherished traditions, and who may labor under an obsession that he is justified in perpetuating himself in office for four or more terms, or that he is indispensable in handling our country's international affairs?

Do not forget that the Security Council (Chapter 8, Section A) is "empowered to investigate any dispute or **any situation** which may lead to international friction . . . in order to determine whether its continuance is likely to endanger the maintenance of international peace and security." The words "any situation" are open to wide interpretation and application.

Chiang Kai-shek and Communist Faction in China

Now suppose, after World War II is concluded, that the Communist faction in China will again resume their civil war against Gen. Chiang Kai-shek, would the Security Council intervene to police China with the international armed forces? Would Communist Russia, one of the Big Five, be agreeable to the suppression of the Communist faction in China?

Or would Provision 7 of Chapter 8, referring to "situations or disputes arising out of matters which by international law are solely within the **'domestic'** jurisdiction of the state concerned," apply to a civil war in China which would lead to serious consequences in Asia? The writer does not think so because Britain and France and Russia have too much at stake in the Far East to consider a civil war in China to be a **"domestic"** matter.

If India and Egypt Rebel Against British Control

Or let us presuppose that the people of India rise up in rebellion against the British Government, or say the natives of Egypt rebel against Great Britain's control, would the new League then proceed to investigate these disputes? Would the Security Council send its international police force into those countries to suppress the rebellious armies of India and Egypt? Or what is more likely to happen, would not Britain invoke the "domestic" clause and tell the new League to lay off and mind its own business?

These hypothetical questions are posed here to help appraise the workability of any world peace organization.

Veto on Decisions of Security Council

Again it has been stated that Russia (the conqueror of Finland, Estonia, Lithuania, Latvia, Poland and Romania) held out during the Dumbarton Oaks conference for the right to exercise a veto on the decisions of the Security Council, a question full of TNT which has been left open for future settlement.

If anyone of the Big Powers has the right to exercise a free veto on the Security Council's decisions, the new League of Nations will become in fact a **negative affirmation** and an **empty shell** as far as its main peace objectives are concerned. In other words, the veto would conveniently enable Russia, Britain, and France to draw a circle around any political or diplomatic question affecting their conquered possessions or their own national interests.

Public Should Demand Verbatim Report of Conference Proceedings

It is high time that the people of the various Powers represented at the Dumbarton Conference should be permitted to read a verbatim report of the discussions both in the main meetings and the committees. This "white paper" should be made public at once.

Super-Force Organization Needed to Control Great Powers

Perhaps it is almost axiomatic to say that it is not the small nations that need a world peace organization to keep them from starting World Wars, for it was the Big Powers which fell out with each other and have been directly responsible for the World Wars.

With all respect to the mechanics which the Dumbarton Oaks Conference proposes for an international organization to prevent war, it is too bad that there is not a Super-Force organization in this world to prevent the Imperialistic Powers (Germany, Italy, Japan, Britain, France and Russia) from committing acts of aggression against each other, because it has been the Big Powers, not the small powers, which have been the guilty parties.

In the writer's opinion, a dozen peace leagues would not have kept those nations from warring against each other as might have been proven in 1914-18 and 1939-1944 and on other occasions, for there can be no guarantee of peace with such warlike nations as Germany and Japan, either in or out of any proposed peace organization.

Major George Fielding Eliot in referring to the three great military and industrial powers in the Dumbarton Conference (Britain, Russia and the United States) recently made this interesting observation:

> **"We should get out of our minds the idea that the international security organization considered at Dumbarton Oaks was intended to restrain any one of these powers (Britain, Russia and the United States) by the concerted force of the other two. If these powers cannot agree, then there will be no organization—or, if one is formed, it will break up. If it comes to a point where one of these powers has to be restrained by the force of others, then we have another World War, and that is that."**

The Consent of the Governed

The father of the first League of Nations, Woodrow Wilson, in an address to the Senate Jan. 22, 1917, stated: "And there is a deeper thing involved than even equality of right among organized nations. No peace can last or ought to last which does not recognize and accept the principle that governments **derive all their just powers from the consent of the governed,** and that **no right anywhere exists to hand people about from sovereignty to sovereignty as if they were property."**

President Wilson continued: "I take it for granted for instance, if I may venture upon a single example, that statesmen everywhere are agreed that there should be a united, independent and autonomous Poland, and that henceforth inviolable security of life, of worship, and of industrial and social development should be guaranteed to all peoples who have lived hitherto under the power of governments devoted to a faith and purpose hostile to their own."

Peace by Force

If one analyzes the world situation correctly, the conclusion is evident that the imperialistic nations of the world, judged by their past history, are sorely lacking in moral principle to provide the character necessary for a League of Nations that would strive to maintain permanent peace.

Under the aegis of the Dumbarton Plan it does not require much prescience to see that the three Big Powers (Britain, Russia and France) our partners in the Security Council, are likely to **boss** the small nations and the whole of creation for their own selfish aggrandisement every time they get the chance.

Will Dumbarton Plan Succeed?

In the final analysis the Dumbarton plan for a new League of Nations can best be compared to a world in which an international organization of the three strongest military and industrial powers plan to enforce "Peace by Force." People who are familiar with the historic record of the past century know unequivocally that "Peace by Force" in an uncivilized world, lacking in moral and spiritual values, can not succeed whether it is administered by a League of Nations or any other international agency.

Raymond L. Wise, publicist and attorney, has succinctly stated that "if the new organization (United Nations League) is to play power politics as a vigilante committee rather than act under a rule of world law which it is trusted to create, amplify and enforce,—World War III is in the making." In his opinion, "Dumbarton Oaks has fallen short of the creation of a world state, but is one step on that path."

"The Tablet," influential Catholic weekly, in its editorial comments on President Roosevelt's estimate of the Dumbarton Oaks plan as the "very practical expression of a common purpose on the part of four great nations" and President Roosevelt's earlier statement in which he referred to it as "the keystone of the 'arch' of security and peace," advanced the following conclusions: "A study of the Dumbarton Oaks plan reveals no basis for such praise. . . . Granting whatever good points the Dumbarton Oaks proposals may be credited with, it must be conceded that even as machinery the entire program, as it stands here and now, is useless. . . . It is the duty of the Administration, as the servant of the people, to preserve the nation from a false peace which bears promise of nothing but more and worse wars."

Atlantic Charter and Kellogg-Briand Pact

If the words in international agreements mean anything to Russia, Britain, Germany, Italy and Japan (ultimate members of the new League), the Kellogg-Briand pact of 1928 renouncing war "as an instrument of national policy" and also the tenets of the Atlantic Charter should be incorporated in the Constitution of the new United Nations League.

A Plea for the Rights of Small Nations

The United States has not forgotten that it was a small, weak nation in early Colonial times, nor has the United States forgotten 1776 and 1812 when we had to fight for our independence and freedom against the strongest power in the world.

For this and other reasons, the United States is and will always be "committed to the rights of peoples of the world, both small and great, to determine their own form of government and their own action."*

In what manner, may we ask, will the Dumbarton Plan benefit the small independent nations and the nations which are the conquered possessions of Britain, France, Russia, Netherlands, Portugal and Belgium?

Will the Dumbarton Plan guarantee the autonomy of the small nations when the Big Powers **boss** the Universe through the Security Council?

Referendums and Self-Determination

Would these Big Powers permit the nations subject to their control to hold national referendums to determine whether they wish to continue or withdraw from the jurisdiction of these Powers?

In the peace settlements at the end of the war, the small nations in Europe and other parts of the world should certainly be given the right of self-determination, they should be free to exist alone or to join with other countries if they so desire.

It is almost a self-evident truth that Great Britain, France, Germany, Italy, Russia, Belgium, Portugal, The Netherlands, etc., will not of themselves free their possessions as we have in the case of Cuba (a liberation) and the Philippines, and as we may in the course of time, grant independence to Hawaii and Puerto Rico if those countries choose to go it alone.

The Case of Poland

Mark Sullivan, eminent student and writer of political history, in his "Herald Tribune" article of Oct. 6, correctly summarizes one detail of many disturbing elements in the European situation: "Russia's course toward Poland gives rise to the feeling that she intends to do with Poland what she wishes, to take as much of Poland's territory as she wants, to impose upon Poland such boundaries as she determines, to let Poland have as much independence as suits Russia, to let Poland have such government as Russia considers satisfactory. If this is Russia's intention, it is contrary to what President Roosevelt and Prime Minister Churchill laid down in the Atlantic Charter as their policy about small nations. And if Russia is following this course, or any other, of its own choice without regard to any different course that may be wished by the United States and Britain, then Russia is not abiding by the cooperation supposed to exist for the conduct of the war and for the peace settlement following."

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*"Fighting for Peace," by the late Dr. Henry Van Dyke, Ambassador to the Netherlands in the first World War.

The reason for citing Poland at such length is because Britain and the United States are not likely to willingly sanction the partitioning of Poland as suits Russia's sweet will. That Russia will also "dish up" the other countries on her western border is well known and illustrates how difficult it will be for our country at least, to support a world peace organization which countenances the self-aggrandizement of the Big Powers.

Great Britain Consents to Japan's War of Conquest in China

What faith can we have in the morality of these powers when we see Great Britain in the very year (1939) that Germany plunged the world into another senseless struggle, giving Japan carte blanche to pursue her war of conquest in China as follows: "The Japanese forces in China have special requirements for the purpose of safeguarding their own security and His Brittanic Majesty's government have no intention of countenancing any act prejudicial to the attainment of that object."

Germany and Russia Sign Non-Aggression Pact

Again, after hostilities commenced in Europe, Germany signed a solemn pact with Russia, August, 1939, agreeing not to war upon each other, yet after an interval of two years (summer of 1941) Germany attacked Russia. These things do not exaggerate the moral depths to which these nations have fallen.

The Curse of Secret Diplomacy, —Can We Trust the Big Powers?

George E. Sokolsky, gifted writer of "These Days" in the New York "Sun," has brought to light the following astounding international incident:

"Let us take a leaf out of the past. In 1917, before this country entered World War I—precisely on Feb. 16, 1917—the British Government addressed a note to the Japanese Government which contained the following paragraph:

"'His Majesty's Government accedes with pleasure to the request of the Japanese Government for an assurance that they will support Japan's claims in regard to the disposal of Germany's rights in Shantung and possessions in islands north of the equator on the occasion of the peace conference, it being understood that the Japanese Government will, in the eventual peace settlement, treat in the same spirit Great Britain's claims to German islands south of the equator.'

"This is the formula of the secret treaty by which China, soon to be an ally in the war, was to be robbed of essential territory. The Japanese, of course, agreed to support 'in the same spirit the claims' which the British would put forward at the Peace Conference. The French and Russians concurred in this proposal, each stipulating schemes of their own and the Italians said that they 'had no objection regarding the matter.'

"The people of the United States knew nothing about these secret treaties when this country entered the war. The people of the United States knew nothing about this when they fought and won that war. President Wilson knew nothing about them. Secretary of State Robert Lansing knew nothing about them. Let me quote from the Senate hearings:

"'Senator Borah: When did you first learn of that agreement?

"'Secretary Lansing: Early in February, 1919.'

"And this:

"'I desire to read a statement which appeared in the Parliamentary debates in the House of Commons on March 4, 1918. (Reading):

"'Mr. King asked the Secretary of Foreign Affairs whether there had been communicated to President Wilson copies of all treaties, whether secret or public, and memoranda of all other agreements and undertakings to which this country has become a party since Aug. 4. 1914; and if not, whether copies of all such documents will be handed to the American Ambassador in London.'

"'Mr. Balfour: The honorable member may rest assured that President Wilson is kept fully informed by the Allies.'

"That statement was made on March 4, 1918, and was then untrue, as Senator Borah brought out in questioning Secretary of State Lansing."

A Bloodless Revolution

Dispatches from Moscow to the New York newspapers report the Russian Vice-Commissar of Foreign Affairs accusing Premier Said of Iran of being disloyal and unfriendly to the Soviet Union for blocking oil concessions to Russia in Northern Iran (formerly Persia). The London "Observer" on Oct. 28 stated that "the present government of Iran was in danger of being overrun under pressure of Moscow because of its refusal to grant oil concessions to Russia, Great Britain and the United States for the duration of the war." The opposition inside of Iran was being conducted by a "freedom front" which "The Observer" declared has been formed largely under Russian auspices.

It is said that demonstrations demanding reinstatement of Premier Said's government and a change of Iranian policy brought out 20,000 marchers at Teheran. In his defense Premier Said, in a statement issued Oct. 19, announced his Government's decision to postpone granting the oil concessions to the three powers until after the war, adding that the action was taken because of the objection of the Iranian Parliament and that "the petroleum question had been the cause of the downfall of the preceding government." On Nov. 9, the fall of Premier Said's government was announced by Teheran radio.

This deplorable incident, if true in any or all particulars, is another case of the Big Powers' treatment of the smaller powers in bringing about the downfall of a government through a "bloodless revolution" which will not create a favorable world opinion for the new United Nations League. The incident, if true, is a violation of the sovereign rights of a small nation. No big power would for a moment tolerate such interference with the acts of its government by any other power, big or small. In the course of its history, Persia (now Iran) has fought three wars with Russia and one with Great Britain.

The Cold Facts Regarding Europe's Future

Looking at world events objectively during the past half century, it is the belief of the writer that our country's interests will best be served by leaving the settlement of European problems to Europe or we will become enmeshed in future wars. That **does not mean** that we should not collaborate in a sensible world movement to formulate practical ways and means to preserve peace. It **does not mean** that we should yield any of our sovereign powers or Constitutional rights. It **does mean**, however, that we must **not** enter into any world commitments that do not leave our country free to determine future international relations with each country on its merits by and with the concurrence of our Congress. In a word, it **does mean** that we should not "gang up" with the Big Powers in power politics and balance-of-power movements.

The world is in a state of evolution and is undergoing a social revolution. It is possible, too, that Germany, prolific and virile, may fight in the future to dominate Continental Europe against the coming menace of Russian communism. We may even see Britain, France and the United States fighting on Germany's side against Soviet Russia in the next quarter of a century. Strange things are happening. We must be prepared, and it is quite apropos to repeat the Latin quotation, "Si vis pacem, para bellum" (If you wish peace, prepare for war), as good, solid American policy to follow in our future international relations.

It goes without saying, that Britain will not sit idly by if Germany threatens again to dominate Europe, nor will she let her ally of other days, France, run the show, and Russia—never. And Russia would contest Germany's or Britain's claims to dominate Europe and the Far East.

Walter Lippmann, in his recently published book, "United States War Aims," advances the opinion that "the way to lasting peace is not through a League of Nations, a World Court, or any such attempt at global federation with or without an international police." Mr. Lippman believes that only through Regional Associations of Nations is there any hope. He regards Woodrow Wilson's former attempt to form a real "League of Nations" as a childish idea of America's naive era.

Roosevelt's Pronouncements Regarding Participation in League

As a further elucidation of the subject, it is interesting to study the isolation pronouncements which President Franklin D. Roosevelt has made in the course of his administration, viz:

On Dec. 28, 1933, President Roosevelt said of the League of Nations: "We are not members and we do not contemplate membership." (1933 Public Papers 547.)

On Jan. 3, 1934, he said: "I have made it clear that the United States cannot take part in the political arrangements in Europe. . . ." (1934 Public Papers 8.)

On Oct. 2, 1935, he said: ". . . Despite what happens to continents overseas, the United States of America shall and must . . . . remain unentangled and free." (1935 Public Papers 410.)

On Aug. 14, 1933, he said: "Both sides agree that this nation should at all times avoid entangling alliances or involvements with other nations . . . ."

The Long Term Prospect for Peace

The writer is for any world organization which will promote peace or peaceful conditions for one year, ten years, one hundred years or 1,000 years, but, taking a long-term view, it is impossible to see permanent peace or the end of wars in this uncivilized world, in prospect. War is as stupid and savage as any punishment, curse or instrument that Man could devise or impose upon humanity and its suspension for even a decade or for a few succeeding decades is a blessing which all mankind should strive for.

In the light of history, present conditions and future possibilities and the low state of international morality, it is almost childish to believe that the great imperialistic powers either possess a sincerity to fulfill their treaty obligations or that they have the moral character "to do unto others as they would we should do unto them." The day for illusions and fables is past.

President Woodrow Wilson expressed our peace purposes with prophetic understanding to the people of the United States in a note to His Holiness the Pope, on Aug. 27, 1917:

"Punitive damages, the dismemberment of empires, the establishment of selfish and exclusive economic leagues, we deem inexpedient, and in the end worse than futile, no proper base for a peace of any kind, least of all for an enduring peace that must be based upon justice and fairness and the common rights of mankind."

Kind of Peace to Offer Germany and Japan

To obtain a desirable, lasting peace we believe the statesmanship of this country, Britain and Russia must be farsighted and catholic minded enough to offer the world a magnanimous and pacific peace, for the greatest good and for the greatest number of nations — a generous peace that will remove the causes that have led the great powers of Europe to propagate wars for ruthless national, territorial and racial aggrandisement.

In the Name of Humanity and Good Sportsmanship

Americans hate war with every fibre of their being, and if the forthcoming peace with Germany, Japan and Italy is to mean anything to humanity, we should lift heaven and earth to get our Allies and the Axis countries to solemnly pledge themselves to absolutely outlaw robots, submarines, indiscriminate airplane bombing of cities and other populated centers, poisonous gas and chemicals, and also the coming use of germs in warfare. Airplanes should properly be permitted for army and naval scouting but not for bombing of noncombatant men, women and children in civilian centers of population.

If such humane reforms are instituted and kept by the 63 or more sovereign nations, this old world of ours will have indeed moved a little nearer to the Christ-like ideal of **"Peace on Earth, Good Will Toward All Mankind."**

With millions of our fellow men and women throughout the world, the writer prays to God that we may soon see the end of Man's inhumanity to Man.

[The CHRONICLE invites comments on the views expressed by Mr. Wilson, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York.]

Note—The writer is especially indebted to the publishers of The Commercial and Financial Chronicle for the use of the back volumes of the paper and its records for confirmation of many of the factual details used in the above article.

Final Sessions of 78th Congress Resumed; President Asks For $400,000,000 Funds

Congress, which had adjourned on Sept. 14, reassembled on Nov. 14 for its final six weeks' session prior to the new session, which will convene in January. Fewer than half the members were on hand, however, said the Associated Press, when Speaker Rayburn and Vice-President Wallace banged their gavels at noon. Leaders leaned to the view that it was useless to undertake more than a brief legislative program in the dying days of this Congress. According to the same advices Republicans in Congress voiced support for the No. 1 goal set by President Roosevelt—to win the war quickly and get the boys back home.

Senator Kenneth S. Wherry, Republican party's Senate whip, told reporters that "if there is any mandate in the election it is that President Roosevelt get this war over quickly and bring the boys back."

"I feel that that is a non-partisan objective," he added. "I, for one, will continue to support the President on all military measures.

"The next mandate is one on domestic policy. The President talked of gearing private enterprise to provide 60,000,000 post-war jobs. I'm certainly for private enterprise accomplishing this task. The country doesn't want a dole or a WPA."

Senator George D. Aiken, back from his own reelection victory in Vermont, told reporters that he thought Republican defeats elsewhere emphasized the need for a more liberal Republican congressional policy.

"I think that the best thing the Republicans can do is get behind proposals for the development of natural resources, and the maintenance of the earning power of the workers and the purchasing power of the country," he said.

"We must have an expanding world trade and reasonable agreements between nations, and avoid drastic tax reductions that would leave nothing to apply on the outstanding national debt."

From Nov. 13 Washington advices (Associated Press) we take the following:

Joseph Martin Jr. of Massachusetts, House Republican leader, told newspaper men he knew of no planned opposition to prolongation of the powers—including the authority for priorities—which under present legislation expire Dec. 31.

It will clear the stage for momentous war and peace debates in the new Congress, with a stronger Democratic flavor, which meets Jan. 3. In this Congress the Democrats will have a plurality of at least 50 members in the House.

However, in addition to extension of the war powers, these important questions confront the old Congress:

1. A decision whether to "freeze" the social security tax at its present 1% rate. Unless stopped by Congress, the payroll tax automatically rises to 2% each on employer and employee Jan. 1. A sizzling fight is expected on this "freeze."

2. Whether to extend the statute of limitations governing prosecutions or courts martial that may grow out of the Japanese attack on Pearl Harbor. This might afford opportunity for some blasts at the Administration—an aftermath of the political campaigns.

3. Bills providing for a post-war highway program involving expenditure of around $1,500,000,000 of Federal funds.

4. Resurrection of the Federal crop insurance program, funds for which Congress has refused. Both major parties sanctioned crop insurance in their platforms.

5. Disposition of the House-approved flood control and rivers and harbors improvements measure.

6. Action on a proposal to revive the bituminous coal law, which Congress refused to extend earlier this year. This Act sets up machinery intended to prevent ruinous competition in the soft coal industry.

Mr. Martin said he believed the old Congress could complete its labors by Dec. 10.

With the reopening of Congress President Roosevelt asked it to add approximately $400,000,000 to funds previously appropriated for more than a score of Federal agencies.

The total includes $339,112,455 for the Navy Department, the bulk of which was for the Bureau of Yards and Docks. There was no detail on how the funds would be used.

Other items included $13,990,000 for the Treasury Department; $10,010,000 for the Army; $15,000,000 for the Federal Works Agency; $11,036,682 for the Interior Department, and $7,401,000 for the National Advisory Committee for Aeronautics.

Investment of U. S. Capital Abroad

(Continued from page 2147)

ground that we may be creating commercial rivals.

This is not in fact the significant question that we face in aiding industrial diversification abroad. This is the question of what type of world we should be helping to bring into existence.

On that great subject I can venture only a few unanswered, and perhaps unanswerable queries. Would a world in which many or most countries have a wide range of manufactures be one in which the goal of national self-sufficiency be even more ardently pursued? Would it be one in which export competition became more universal and bitter? Would it be one in which aggression became easier—or harder—to control through concerted international action? Would it be one in which competitive armament became more widespread? Would, in short, the world-wide spread of industrialization made possible by our capital prove in the end to be a unifying tie or a divisive force between nations?

Traditionally, foreign investment has been regarded as a unifying tie, and it has so proven itself in many instances. For example, the movement of capital played a most important part in holding together the economic and political destinies of the elements of the British Commonwealth. It nurtured significant relationships between the United States and Great Britain during the 19th century which helped to dim out memories of earlier battles. During the past few decades it has created close new ties between the United States and Canada which, I believe, have strengthened the impulse towards economic and poltical cooperation. Despite the criticism and controversy that have marred certain of our foreign investments in Latin America, they have on the whole contributed towards the creation of a sense of common interest between ourselves and the other American Republics.

These instances indicate that foreign investment **can** enlarge international trade and stimulate international political cooperation when these are the firm wish and intention of the participants.

But will it prove itself true in a world where the lending and borrowing may be conducted mainly by governments, where many nations already have a strong inner impulse towards self-sufficiency, and where calculations of military power may be restlessly active? The answer will only be gradually revealed by experience.

V.

Limitations on Foreign Investment

Are there any simple rules by which we may determine the amounts of capital we might wisely send abroad?

Our willingness to supply capital to other countries cannot be, without limit, governed by their needs. These will be far beyond our power to satisfy. We cannot, even from the full flow of our own working effort, permanently undertake to supply the means of decently feeding, clothing, or housing the hundreds of millions in the world that live in misery; we cannot provide the instruments to repair quickly all the damage the war has done; we cannot stake all countries in the world with the instruments of machine production. In short, we cannot be a visionary God.

But even the amounts we could provide without serious deprivation may far exceed the ability particularly of the needier recipients to make any ordinary financial compensation. It is impossible to forecast what amount of dollar indebtedness any individual country, or the world taken together, may in the post-war future be able to carry and discharge without excessive strain. That will be decisively affected by many matters, some of which will be within our control and some outside of it.

Some broad indications may be given as to the dimensions of the problem. Suppose, as a consequence of the renewed movement of American capital abroad, the sum total of American investment of a type on which ordinary terms of repayment applied should be built up from its present net of 10 billions on long-term to, say, 25 billions. This would require in interest and earnings remittances to us of, say, a billion dollars, and the annual repayment or amortization of, say, half that amount. Foreign countries would in some way or other have to acquire each year a billion and a half dollars beyond what they needed to meet other needs. In contrast there stands the annual average excess of American merchandise exports for the years 1935-38 of nearly half a billion dollars; and this would have been much greater if foreign countries had not repressed purchases from the United States by every known restrictive device. The amounts of dollars required would represent about 20% of the total flow of dollars that the United States made available to foreigners in all forms (including loans) in 1929.

But computations such as this, in terms of grand totals, obscure the fact that there will be great differences in the relative power of individual countries to repay. Were we to limit our investment by calculations of an assured repayment it would fail to respond to some of the needs that should, in the interest of both economic and political order, command attention, or to grasp some of the situations in which the provision of capital promises the greatest ultimate benefit. Calculations of repayment, while important, therefore cannot be conclusive in determining the amount we might wisely lend abroad; and it seems clear that we must be prepared to stretch the terms of some of our investment outside of ordinary financial schedules, to extend aid in some directions without requiring usual terms of compensation. Peace will need some form of generosity as well as war; but it can only justify itself if nations remain as firmly linked in their peace-time purposes as they are in the conduct of the war.

It is sometimes suggested that our foreign investment program should be guided by computations of the volume of trade that will be required to maintain a satisfactory rate of employment of productive resources within the United States. In technical circles, this proposal is usually esteemed as a means of putting to use idle savings which bring unemployment in their trail; while in business circles it usually emerges as a means for maintaining exports at high levels, thereby avoiding serious dislocations of economic activity, unemployment, and any necessity of realigning our productive activity. In both forms it involves the conclusion that we **must** transfer to foreign countries—more or less regardless of their deserts and power of repayment—a fraction of our national productivity because we cannot find a satisfactory way of turning it to our own use.

A policy primarily governed by our own failure properly to adjust our own economy would run amuck, and result in recrimination between ourselves and other countries. We would deceive ourselves for a short period that our advances were loans or investments: but in foreign eyes they would resemble those loans which financial salesmen pressed upon them in the twenties. The basis of international obligation would be debauched. The policy would be apt to end in failure and force difficult adjustments upon us that it would have been wiser to attempt earlier. Our productive activity should be so aligned as to bring it into conformity with whatever measure of trade interchange proves possible without permanent great subsidies.

This judgment should be softened and qualified in its application during the next few years—because of the immense size of the adjustments we face, particularly in certain export industries. During that period we would be justified to extend our foreign investment somewhat further than other grounds would justify.

But any program for doing so encounters a difficult timing problem. Effective foreign demand (supported by accumulations of gold and dollars) will sustain American export trade during the first two post-war years at an extremely high level, which, in the absence of continued great subsidy is certain to decline later. Such was the train of events at the end of the last war. It would be wise to avoid accentuation of the decline by our investment policy. This will be difficult because the most urgent foreign demands for aid will concentrate in the first post-war years. However, we should try to defer long-term investment operations inspired by the wish for economic development until the period of flush export demand has passed.

Thus, it does not seem possible to formulate any inflexible and unvarying rule as regards the dimensions of American foreign investment. Judgment will have to travel with events. The moving mind will have simultaneously to appraise the external need for our capital, our own economic condition, the prospects of repayment, the state of trade, and above all else, the international political behavior of nations. And in this task, alas, the indications given by statistics will often resemble glints in the interior of a crystal ball.

VI.

Government Regulation of Foreign Investment

The foregoing analysis implicitly suggests that any adequate foreign investment program would largely draw upon public funds or be aided by government subsidy or guarantee. That is correct.

There will be some governments, such as those of Western Europe, the British Commonwealth and the stronger Latin American republics, whose bonds private American investment may again be ready to purchase. There will be some other foreign governments, such as that of the USSR, whose basic economic strength will also attract large-scale credits from American manufacturers; and some private foreign borrowers will be in the same position.

American business enterprise will on its own undertake further extensions of their activity in foreign lands. They will create new branch factories, and pioneer abroad in fields in which they hold a large measure of clear mastery — as in airplane manufacture, electronics, certain branches of chemistry and electrical equipment. There will also be further extensions of American company investment in the natural resources of other countries for which demand is growing, such as petroleum.

Taken together, these types of investment may reach a considerable total over the next few years. But they will be highly selective, avoiding the more disturbed countries and those inclined to the socialization or nationalization of economic life. The task of providing capital to those countries most destroyed by war—countries whose budget situation may be in disorder and economic prospects dubious, or those inclined extensively to regulate or burden private economic enterprise and ownership—cannot and will not be assumed by private capital. If it is confronted at all it will be out of the public purse.

Furthermore, many foreign governments are formulating their plans for the procurement of dollars either by borrowing from some agency of the American Government or securing its guarantee for repayment of the notes and securities they issue. They will seek, as far as they can, to avoid the acceptance of any financial obligation of an ordinary or fixed character towards American private investors. They hope thereby, first, to secure less onerous terms; second, to maintain direction or control of significant economic developments within their territories by acting as the funnel through which foreign capital will pass; third, to maintain more efficient barriers against the independent undertakings of private foreign capital.

These trends will circumscribe the field wherein private capital will find it possible to operate satisfactorily without some form of support, insurance or guarantee by the American Government.

Several new and difficult problems of relationship between private and public investment activity will arise out of this situation.

It would be desirable that the Government abstain from making loans or advances that private interests are prepared to make on reasonable terms. But how far and how rigidly in practice can this principle be pursued? Should all financial aid be refused foreign borrowers who refuse to accept the reasonable offers of private lenders? Should a foreign government, for example, be denied financial aid because it desires to reserve all opportunity in, say, its public utilities, petroleum and aviation and the like, to its own nation even though American interests are eager to participate therein?

The question in its broadest sense is whether or to what extent our investment operations should be restrained by the fact that the capital provided may enable a foreign country to carry out more effectively a policy of economic exclusionism, or nationalization or both.

I do not pretend to have any simple or conclusive answer to that question; I do not believe there is one. We will not find it wise to withhold all American capital resources from a foreign land on the ground that it chooses to restrict, totally or in a large part, economic enterprise within its country to its own nationals, or extend the realm of government ownership and operation. The reasons for the contrary course will often be too influential. On the other hand, it will reduce both our satisfaction with our foreign investment activity and the benefit we derive therefrom if one of its consequences is to facilitate the construction of a comprehensive barrier against American private enterprise.

I turn to a related question. Should the American Government control or regulate private foreign investment undertakings? I believe an informal, but thorough system of advance consultation, such as has almost become current practice, will suffice. Such consultation should assure full disclosure of all investment programs, and an understanding that agreements of unusual significance between the American investors and foreign interests should be submitted for discussion. The Government should participate in these consultations with a view of encouraging and supporting all well-advised private investments in peacefully disposed foreign countries.

When the American Government insures or guarantees a private loan or investment, it will have to pass upon the terms of the venture and retain a right to watch over the policies pursued by the private investor. This practice has already been successfully developed by the Export-Import Bank; sometimes private interests have negotiated the business and the Export-Import Bank merely provided a guarantee for compensation; in other instances the Export-Import Bank itself developed the investment operation and called upon private capital to provide the funds.

VII.

Internationalism of Foreign Investment

There is an emergent view that countries should join together in their foreign financial ventures and convert them into an international activity. It is pointed out that all nations have a tie of common interest in the relief of economic distress, the expansion of trade, and the development of production everywhere; that they would all suffer in some measure in failure in these matters and all gain in some measure by progress. Therefore, it is argued with considerable point, that the provision of the necessary capital to serve these ends is an international responsibility, and that each nation should contribute according to its means.

Various other persuasive reasons may be adduced for giving sympathetic consideration to proposals looking toward the internationalization of investment activity abroad. I will cite a few of the more tangible ones; even these, however, are quite untested.

Were nations to combine their activity, it is reasoned that a larger pool of resources could be made available and the financial risk would be widely diffused. Borrowers would ordinarily make a more conscientious effort to fulfill an international obligation than one of any other type; and, in the event that the borrower faced genuine difficulty in repayment the international organization could effectively explore the possibility of obtaining economic concessions to lessen the drain. All these factors in combination, it is concluded, should enable an international investment organization safely to provide capital on cheaper terms and to finance undertakings of dubious financial prospects but evident international advantage. It could thus employ its resources where they might best serve to prevent difficulties and disorders that might threaten the peace between nations.

In another sphere it is contended that an international organization could proceed with the task of accelerating the world's economic business less hindered by political complications than any single lending country could. Borrowers might be less afraid that the loan or investment might be used to extract political advantage, and so, it is said, would be willing to grant opportunities for supervision that they would refuse to any single lender. Each country, it is suggested, would thereby be relieved of anxiety over the thought that the investments of others might have an adverse effect upon its political or strategic situation. The reasoning even runs as far as to suggest that by internationalizing investment it would cease to be a counter in the game of power politics; this seems to me, I confess, a distant prospect.

Lastly, it is conceived that the joint participation of nations in the economic task carried out by their joint capital contributions would create a strong sense of international unity between them.

These possibilities are genuine enough to command our sympathy if the political omens are favorable. We should be prepared to join in an international organization provided its constitution seems sound and its mode of operation affords the necessary minimum protection to our national interests. The United States in all probability will be by far the largest single contributor of resources to such an organization. We would not wish to see our resources used to support governments or countries repugnant or unfriendly towards us. We would not wish to see them used directly to impair or retard the growth of our economic activities abroad. We would not wish to facilitate competitive armament. For these reasons it would appear that in the event of the creation of an international investment organization the rule should be established that all important decisions should require the unanimous consent of the larger contributors; or at the minimum that the United States should retain a veto right over the operations that draw upon the fund of dollars. Either of these arrangements might hinder the operations of the organization. It would be restricted to ventures that encountered no serious objection on the part of any important participant. But when and as the future international political situation becomes reassuringly settled, and the terms of international economic cooperation become more fully defined it might prove possible to relax the rule.

Were an international investment organization created, the claims of the countries most stricken by war might well be given prior consideration. The peace settlements will probably involve some important boundary changes and transfers of population; the international organization might make such settlements more acceptable to all by providing new productive occupations. Certain territories may be held permanently under United Nations' jurisdiction; the financing of their development would be a natural assignment for the bank. It would be by the performance of such tasks as these in a way that gained the confidence of all countries that the international organization could best establish itself in the world's economic life.

Time does not afford the opportunity to consider adequately whether the proposal that emerged from the conference at Bretton Wood is a satisfactory basis for international investment cooperation, and I prefer not to deal hastily with that important question. Let me express in passing, however, my impression that in general conception the proposal represents a good beginning which should be improved, not discarded.

The creation of an international investment organization would not relieve the United States of many of the serious problems that it faces in the investment field, nor would it end that subtle but incessant struggle for national advantage that accompanies the use of each country's financial resources; nor would it resolve those difficult problems of relationship between private capital and government which I have reviewed earlier this evening. But it might, if harmoniously directed by its chief participants, contribute to health and growth in many places.

The capital resources of the United States should in due meassure be available to promote health and growth wherever the soil is promising. It is one of the great instruments we possess for advancing our national welfare and sustaining our leadership in the search for peace and order. However, it is not a magic wand. It is an instrument which must be carefully directed by a blend of justice and generosity, sobriety and daring, watchfulness and faith.

Mallory Interesting

P R Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Where Angels Fear to Tread

(Continued from page 2131)

and further his opinion that dealers should make only an amount commensurate with a commission charge.

Apparently Mr. Treanor chooses to treat all transactions as riskless. If he doesn't he made no exception in his talk which would indicate that.

As a final piece of temerity, Mr. Treanor said that opposition to his theories arises from "the fears of some dealers that they cannot justify their profits." Nothing could be farther from the truth. The fact of the matter is what they are afraid of is the "cut throat" competition that would inevitably ensue if they were obliged to reveal to their customers the wholesale or inside market price before consummating a transaction—a proposal which is wholly alien to our system of free enterprise which calls for free markets. Free, too, in the full sense of the word including freedom from compulsion to reveal wholesale or cost prices. And free to permit the varying cost of doing business under varying conditions to be reflected in mark-ups, and being restrained from indulging in exorbitant mark-ups by the knowledge that such a practice would mean the loss of their customers and their livelihood to their competitors.

Leaving aside the unwarranted and untrue imputation that his opposition is composed of those accepting unconscionable mark-ups, he fails completely to appreciate that the apprehension concerning the disclosure rule is not limited to the securities field. The forcing of a disclosure rule upon the securities business would only be a forerunner of the same possibility with respect to all other industries. That is why in this country, there is cause for universal alarm.

The evil of such a rule becomes at once apparent. Since wholesale price disclosure would make investors conscious of the profit a dealer was making, dealers would naturally concentrate on selling securities that could be sold on the smallest profit margin possible. That means a disclosure rule would be decidedly advantageous to the giant, well known corporations of America seeking capital but by the same token it would close our capital markets to small business—to corporations whose securities can be sold only by intensive effort, statistical research expense and what not. Wholesale price disclosure would systematically destroy the small dealer in securities too, until such time when a complete monopoly would prevail amongst a few mammoth houses. It is clear that the little man doing a small volume, or the dealers in outlying areas cannot operate with the same mark-up margin. Nor is the principle involved peculiar to the securities industry. Indeed it is accepted and recognized at a natural element in all lines of business. The plan marks a vicious trend on the part of some crack-pot theorists to create a profit limitation rule and veer from the constitutional form which has been the American way all these decades.

The cloud of suspicion with which Mr. Treanor attempts to envelop securities dealers and brokers when he strives to force public acceptance of the wholly unwarranted assumption that the dealer in securities is, per se, a larcenous, if not a downright crooked individual, and therefore must be constantly harassed and treated as a potential enemy of the public, stamps his activities dangerous to our national welfare. We have said it before and will repeat it again, again and again: The securities industry, as a unit, is composed of men and women who are no less honest, fair and righteous than is true of the personnel in other lines of business activity. The securities industry and this we have said before, too, has its unfortunate small element of undesirables, just as is the case of other segments of trade and finance. In short, we are neither a nation of saints or sinners and, human nature being what it is, the division will very likely prevail until the end of time. Successful reconstruction, the creation of jobs by means of new capital issues depend upon those dealers and brokers who alone can make possible open, active, and liquid markets, and who have been doing a splendid job in a war economy.

Mr. Treanor's disservice is to the public as a whole. The unwarranted distrust and suspicion he has been and is creating by the promulgation of unsound theories has ceased being a minor ailment. It has become a malignancy calling for operative treatment.

The SEC should do the surgery and cut out the indiscriminate branding of a legitimate and authorized business activity as fundamentally disreputable by discountenancing these far fetched and unwarranted legal theories regarding dealer and customer relationship and by straightway declaring its policy regarding the destruction or survival of the over-the-counter securities market.

AND GANSON PURCELL, CHAIRMAN OF THE SEC, SHOULD ANNOUNCE THAT THE COMMISSION DEFINITELY WILL NO LONGER TOLERATE ANY THREATS TO PROMULGATE A "FULL DISCLOSURE" RULE FROM ANY MEMBER OF ITS STAFF.

The Best Cure for Inflation Is Savings Says W. Randolph Burgess

(Continued from page 2133)

build factories, or to build homes. Of course the larger fallacy about the whole theory lies in the assumption that money saved is inactive money. We know that money saved is some of the most active money in the world, and active in a long term, ambitious way. It is money saved which starts new businesses and builds new houses, and so employs labor and leads to still further increased spending. There is another fallacy also in assuming that it is the mere possession of money that makes an individual or a business spend. We know that at any given time the people of this country, and particularly the businesses, plan their spending in relation to many factors besides their actual amount of money. Their confidence in the future is an enormous factor. If they are doubtful they tend to stop using their money. The possibility of making a profit without undue interference or losing the results of one's venture through heavy taxation is a heavy factor in whether business goes forward and spends money and employs people.

"Another fatal weakness of this theory is its interpretation of history. The extraordinary notion that the depression of the 30's was caused by over-savings is certainly far away from the facts. The best test is what you and I know about what happened in 1928 and '29 and '30. For we know that you and I and our friends and businesses in which we were engaged were mostly over-spending at that time. We were building houses that were too big and too expensive for our incomes. We were building apartment houses, and office buildings that over-estimated future requirements. Business was over-expanding in many directions, so that it took a number of years just to catch up. To say that it was over-saving is contrary to the facts. The only way I can explain the belief in the theory is that it is put forward by people who have led such cloistered lives that they did not know what was going on at that time, and were reading back into that earlier period something that really happened later.

"When we got into the depression of the 30's business and individuals really did stop spending and Government and everybody else became concerned as to how to start the wheels moving again. It was out of this that the over-saving theory grew up. But of course the thing that was really the matter in the 30's was, first, that all of us had over-spent so violently in the late 20's that we had to make up for it in the 30's. It is the old adage of paying in times of depression the debts we accumulate in times of prosperity. It is amazing how long it takes to clear up the debris of an over-spending and over-borrowing period like the late 20's. You and I know that it is true in the assets of many banks. It has taken many individuals a long time to save themselves out of the holes into which they spent themselves in the '20s. A second factor in the 30's was of course that we all got frightened, partly by the depression itself and partly by the strange political things that were done about it.

"I have labored over the theory of over-spending because it is important for us who are interested in the long-term well being of our country to understand some of these theories that are put forward, even though we may know in our bones that they are false. We must recognize also—all of us—that the period of the 30's was a disastrous one in American economic history which we must not repeat, and we need to examine every possible explanation for it. The outstanding lesson to my mind is that if we are to avoid these great depressions we must avoid the periods of over-spending and spurious prosperity.

"The final point I want to make on this subject is that in our conflict with false theories so vital to the prosperity of our country, the tide is now running very strongly in our favor. The war has changed the whole picture. For suddenly we have been plunged into a situation where savings are obviously essential to the nation's well-being. Wars usually mean inflation, and the best cure for inflation is savings. So our Government and our people have gone into a great campaign to encourage savings, a campaign which has been brilliantly successful. There are now 80,000,000 holders of war bonds, millions of whom have never before owned a bond or had any savings. These millions have learned the satisfaction and comfort of having money saved. The stresses of the great depression have proved a stimulant to this savings program. Since the beginning of the war individuals in this country have saved something like $100,000,000,000. The money is pouring into the savings departments of our banks despite very low rates of interest. The tide is running our way. The nation is becoming savings conscious as seldom before. This is a tide of human reaction, of human understanding, which may well carry out to sea the little academic theory which has worried us. The important thing for us now is to move with the tide in our own operations; to encourage this swing toward savings; to get people to think about it and make the habit permanent. For it would be easy to give way to another period of spending. It is our chance to strike while the iron is hot.

"The little theories about over-spending were the product of a sick country at a sick period. Basically, the American people are blessed with a great common sense to recognize the true from the false. We can rely on their response if we, who should be the leaders in this field, give to the millions of customers of our banks the touch of savings philosophy as well as the facilities for savings at this time when the tide runs with us."

Funds Available for Payment on Panama Bds.

The National City Bank of New York, as fiscal agent, is notifying holders of Republic of Panama 35-year 5% external secured sinking fund gold bonds, series A, due May 15, 1963, that there is now available for distribution as an additional payment on account of the interest represented by the May 15, 1941, coupons, the sum of $4.48 with respect to each $25 coupon and the sum of $2.24 for each $12.50 coupon. Payment will be made upon presentation of the coupons at the office of the bank, 22 William Street, New York.

Outlook for Post-War Petroleum

(Continued from first page)

these forecasts. I will try to be short but I may not always tell you things which are sweet. I don't pretend to have any crystal ball in which the future is made plain although many of my friends accuse me of using that classical sphere. The best that any of us can do is to determine, after careful study, what are the probabilities. I will dwell on this point more fully later.

In Socony-Vacuum, as in other large companies, we are continually engaged in a study of probable future conditions. We do this so that we can be prepared to give our customers what they want in the quantities they want them, whatever the conditions may be. We also want to determine where we can best spend our stockholders' money or where we must spend it and where we can save it.

In our company the problems encompass all phases of the industry. Our executives must meet these problems and answer them and in many cases, counsel with government and other agencies on general industry matters.

We believe that industry must try as never before to plan its future course rather than await events as they unfold.

We are trying to look ahead and plan, and I am going to give you the results of one phase of post-war planning dealing with our studies respecting probable future demands. These have been under preparation and review by us for over a year.

Forecasting Methods

Some of you who do not become involved in forecasting may wonder about it. There is no hokus pokus about it. This is how we go about forecasting in Socony-Vacuum. We simply break down the problem into small items and study the past history of each and its relations with other factors you may find exist. As an example, truck use has a close relationship to the index of industrial production. Then you talk with everyone you can who is an expert on each part. When you have all the ideas you can get, you finally make a forecast. Each step is taken in its logical order and all the pieces are supposed to tie in. Most of you would be amazed at the amount of information you can accumulate on any subject if you put enough manpower on it and keep at it. So much for that.

First we studied general economic factors such as the size of the national labor force, unemployed labor, wage rates, hours of work, national income, disposable income, prices, etc. Each of these items was forecast as a preliminary to making petroleum demand forecasts.

The total demand for petroleum products in the United States in 1941 averaged about 4,066.000 barrels a day. Our forecast indicates that this former consumption may be considerably exceeded by 1946. A fairly large part of this expansion takes place in heavy fuel oils for the navies and commercial vessels. It might very well be that the United States companies may not be able to supply this entire national demand at competitive prices. If so, a portion of this demand must necessarily be taken care of by imports or by ships bunkering in foreign ports. If the product is available at competitive prices, we estimate that the quantities shown could be sold.

Some of the general assumptions I made may interest you. Before the war the civilians working in industry and on the farms reached almost 49 million in 1941, which was higher than the figure for 1929. I expect more people to be so employed after the war in addition to a fairly large military force. Such an employment will not eliminate all unemployment. During the reconversion period, I think unemployment might average eight million. This, of course, would be much higher than the rest of the post-war period.

The Federal Reserve Bank Production Index in 1941 reached 162. I expect the years 1946 through 1949 to average almost as high. This is also true for disposable income, i. e., that income paid to individuals less personal taxes paid out. The total for 1941 was $83.7 billions while my forecasts for the four post-war years average almost as high.

Passenger Car and Truck Demands

From all of this, you see, I expect good conditions of employment, production and income for several years following the end of the war. The pent-up unsatisfied demands of our 135,000,000 people and the demands of war-torn and war-starved countries abroad should provide the outlet for these products.

Gasoline demands in the United States are based upon several considerations. The most obvious is the number of cars in use. This involves the number of cars to be manufactured, cars to be scrapped, the efficiency of new engines, the number of cars to be brought out of storage, average mileage used, prices of gasoline, disposable income, population shifts and, of course, tires.

In our studies, tractors, trucks, buses, aviation and miscellaneous uses were each dealt with separately and in detail.

It is interesting to note that passenger car gasoline reached a peak of 1,146,000 barrels a day in 1941 and I expect that in the post-war period passenger cars will consume only about this same quantity in 1948 and then again it may drop off if better, more efficient cars come on the market in 1947. We all hope for larger consumption but I choose to be conservative.

We expect trucks, buses and tractors to use more and more gasoline as these markets continue to expand as in the past.

The aviation demand contains two contrasting components. Military — a most difficult item to guess — showing a sharp drop and a turn-up later because of larger sized planes, and commercial and passenger plane uses which are forecast to increase fairly rapidly. Nevertheless we look for a demand by 1950 of only about 30% of the present total production of aviation fuels.

All in all, the gasoline market will expand, I believe, but the nature of this expansion will not be by passenger cars as in the past.

Our low forecast for gasoline consumption may be disappointing to some of you but you must remember that in 1941 we were using about 27,400,000 passenger cars on an average and during next year we may use only around 22,000,000. In New York State alone passenger cars in use before the war were about 2,350,000 and last year they decreased to 1,900,000 with a further decline in prospect for 1944 and 1945. It will require a couple of years to make up this shortage of vehicles. Some auto manufacturers may get back into production within three months after V-E day but others may require much longer. Peak production may be delayed for over a year.

The availability of tires has limited the use of passenger cars but the principal shortage has been in heavy duty truck and bus tires. Synthetic tires for passenger cars are good. Some of those made so far will not stand high speeds for long runs. Tires may still be a limiting factor on consumption for some time but improvements in them undoubtedly will be made.

The unused facilities for producing aviation gasoline will be employed to make better motor gasoline. This will make for better engines and somewhat better efficiency.

Based upon reports from our engineers and Research Department, I have assumed that some of the new passenger cars manufactured in 1947 will obtain 22 miles from a gallon of gasoline. By 1949 I have used a performance of 25 miles to the gallon for all of the cars manufactured during that year, and by that year 25% of the cars in use would be of these new, more efficient designs. Offsetting these better performances, I have given a lesser efficiency to older cars so that on an average for all cars in use in 1949, I have assumed a performance of 17 miles to the gallon as compared with the present 15 miles to the gallon under normal conditions. Restricted consumption tends to decrease the present performance as most of the travel is of short distances with much stopping and starting. I doubt that the average mileage per gallon today is as high as 14 miles.

Other products have been forecast in about the same fashion. These results are shown in the accompanying tables:

(Continued on following page)

TOTAL UNITED STATES DOMESTIC DEMAND

Thousands 42 Gallon Barrels

Motor Fuel:	1938	1939	1940	1941	1946	1947	1948	1949
Passenger cars	330,406	347,757	372,347	418,243	356,969	407,505	422,786	411,321
Trucks	114,531	122,035	129,598	143,070	138,129	154,132	166,517	169,631
Busses	16,000	16,845	17,256	19,038	19,632	21,662	22,681	22,751
Total automotive	460,937	486,637	519,201	580,351	514,930	583,299	611,984	603,703
Tractors	24,410	25,583	27,195	26,104	35,009	36,425	37,842	39,258
Aviation	2,403	3,740	5,475	10,950	50,400	37,200	31,400	35,400
Miscellaneous	35,253	36,597	37,553	49,998	46,965	51,123	51,123	47,376
Total motor fuel	523,003	552,557	589,424	667,403	647,304	708,047	732,349	725,737
Kerosene:								
Range oil	33,707	37,061	44,692	46,110	49,600	50,800	51,800	49,000
Tractors	3,955	4,346	4,683	4,467	4,700	5,200	5,300	5,200
All other	20,810	21,580	22,264	22,868	23,600	24,600	25,000	23,400
Total kerosene	58,472	62,987	71,639	73,445	77,900	80,600	82,100	77,600
Distillate Fuel Oils								
Heating	82,388	97,131	115,533	120,908	134,193	148,937	161,472	170,479
Diesel:								
Vessels	13,088	14,108	12,979	10,571	12,958	14,382	15,665	17,375
Army-Navy	643	1,078	1,115	3,537	5,877	5,001	5,041	5,001
All other	7,473	8,681	10,575	13,243	20,331	22,083	23,937	24,674
Total Diesel	21,204	23,867	24,669	27,351	39,166	41,466	44,616	47,050
All other	10,947	14,527	16,473	20,631	23,500	26,290	27,170	22,680
Total distillates	114,539	135,525	156,675	168,890	196,859	216,693	233,258	240,209
Residual Fuel Oils:								
Heating	35,935	39,101	44,846	46,606	55,520	61,143	65,453	69,718
Vessels	61,178	65,146	61,554	56,678	103,676	96,085	93,023	92,500
Army-Navy	10,974	11,159	15,781	25,938	40,515	30,845	30,928	30,845
Gas & electric plants	27,733	27,908	28,234	38,774	35,691	38,179	39,750	41,286
All other	154,589	175,289	187,691	212,994	210,028	225,394	228,564	210,149
Total residual	290,409	318,603	338,106	380,990	445,430	451,646	457,718	444,498
Lubricants and Wax:								
Automotive, aviation, etc.	12,089	12,263	12,886	14,110	14,813	15,951	16,292	16,212
Industrial	10,811	13,340	13,681	18,607	17,420	19,099	19,602	17,001
Marine	215	274	325	476	377	357	337	337
*Total lubricants and wax	23,115	25,877	26,892	33,193	32,610	35,407	36,231	33,550
Asphalt and Road Oils:								
Paving	23,769	24,626	26,467	31,825	38,904	41,179	37,659	30,157
Roofing	6,509	7,447	6,886	9,844	9,000	9,500	10,000	10,000
All other	1,979	2,463	2,156	2,796	2,540	2,840	2,920	2,460
Total asphalt and road oils	32,257	34,536	35,509	44,465	50,444	53,519	50,579	42,617
Miscellaneous products	72,600	77,380	84,715	102,679	125,819	134,607	131,122	124,053
Crude and refinery loss, etc.	23,061	23,983	24,046	12,600	22,500	22,500	22,500	22,500
*Total domestic demand	1,137,456	1,231,448	1,327,006	1,483,865	1,598,866	1,703,019	1,745,857	1,710,764

*Includes non-petroleum additives used in compounding lubricants.

ANALYSIS OF ESTIMATES

Passenger Cars—(Thousands):	1938	1939	1940	1941	1946	1947	1948	1949
Vehicles car. over fr. prev. yr.	24,427	24,650	25,499	26,960	22,355	25,683	28,060	30,440
New cars registered	1,874	2,636	3,399	3,714	5,188	5,188	5,188	3,981
Cars scrapped or laid up	1,651	1,787	1,938	2,757	2,810	2,811	2,808	2,805
Vehicles car. over to next year	24,650	25,499	26,960	27,917	*25,683	28,060	30,440	31,616
Average vehicles in use	24,657	25,036	26,073	27,382	24,260	27,167	29,595	31,410
Consumption per vehicle—Barrels 42's	13.40	13.88	14.29	15.26	14.71	15.00	14.29	13.10
Consumption per vehicle—gals.	563	583	600	641	618	630	600	550
Consumption for year thousand barrels 42's	330,406	347,757	372,347	418,243	356,969	407,505	422,786	411,321
Memo:								
Cars registered (thousands)	25,405	26,342	27,598	29,657	26,801	29,307	31,816	33,056
Population—Civilian (thous.)	129,807	130,722	131,669	130,550	135,786	137,808	139,256	140,145
Average persons per car	5.11	4.96	4.77	4.40	5.07	4.73	4.37	4.23
Trucks—(thousands):								
Vehicles car. over fr. prev. yr.	4,331	4,379	4,522	4,751	4,305	4,719	5,133	5,547
New cars registered	365	487	576	641	792	792	792	608
Cars scrapped	317	344	347	566	378	378	378	378
Vehicles car. over to next year	4,379	4,522	4,751	4,826	4,719	5,133	5,547	5,777
Average vehicles in use	4,273	4,421	4,575	4,727	4,630	5,030	5,430	5,741
Consumption per vehicle—Barrels 42's	26.81	27.60	28.33	30.29	29.83	30.64	30.67	29.55
Consumption per vehicle—gals.	1,126	1,159	1,190	1,272	1,253	1,287	1,288	1,241
Consumption for year thousand barrels 42's	114,531	122,035	129,598	143,070	138,129	154,132	166,517	169,631
Tractors:								
Average Tractors in use (thous.)	1,577	1,653	1,763	1,693	2,262	2,354	2,445	2,537
Gasoline:								
Consumption per vehicle—Barrels 42's	15.48	15.48	15.43	15.43	15.48	15.48	15.48	15.48
Consumption per vehicle—gals.	650	650	648	648	650	650	650	650
Consumption for year thousand barrels 42's	24,410	25,583	27,195	26,104	35,009	36,425	37,842	39,258
Kerosene & distillate consump.:								
Consumption per vehicle—Barrels 42's	8.33	8.29	8.29	8.33	8.33	8.33	8.33	8.33
Consumption per vehicle—gals.	350	348	348	350	350	350	350	350
Consumption for year thousand barrels 42's	13,144	13,705	14,605	14,118	18,851	19,614	20,376	21,139
Distillate Heating Oils:								
Burners:								
Burners car. over fr. prev. yr.	1,510,733	1,658,103	1,856,233	2,113,433	2,439,335	2,768,233	3,077,608	3,396,170
New burners sold	179,360	236,140	302,210	333,250	312,668	364,745	380,092	311,690
Burners scrapped or converted	31,990	38,010	45,010	50,080	†**16,230**	55,370	61,530	67,900
Burners car. over to next year	1,658,103	1,856,233	2,113,433	2,396,603	2,768,233	3,077,608	3,396,170	3,639,960
Average burners in use	1,578,108	1,748,944	1,974,232	2,243,352	2,592,845	2,910,159	3,223,581	3,507,161
Consumption per burner—Barrels 42's	56.70	57.77	56.43	56.76	51.76	51.18	50.09	48.61
Consumption per burner—gals.	2,381	2,426	2,370	2,384	2,174	2,150	2,104	2,042
Consumption for year thousand barrels 42's	89,471	101,034	111,406	127,340	134,193	148,937	161,472	170,479
Average No. non-farm structures occupied	20,531,950	21,186,900	21,774,000	22,287,250	23,848,100	24,465,200	25,274,750	26,179,150
Average No. non-farm structures built	391,000	474,900	532,300	602,200	580,300	773,900	967,200	967,600
Burners sold to structures occup.	146,360	192,737	243,151	252,270	238,655	251,048	234,486	186,101
Burners sold to structures built	33,000	43,403	59,059	80,980	74,013	113,697	145,606	125,589

*1946 includes 950 (000) reregistered laid-up cars. The cars carried over from 1945 also includes reregistration of laid-up cars.

†Due to conversion back to oil. Bold type represents red figures.

Forecasts for New York State

Some of you gentlemen may be interested in a forecast for New York State. I had occasion to make such a forecast for the Empire State Petroleum Association which was given to them on Sept. 21 at the Commodore Hotel here in New York City. Time did not permit refining these results and therefore, they must be viewed as reflecting the general influences in the eastern United States applied to New York State.

As far as gasoline goes, I am not quite as optimistic for New York State as I am for the United States. Part of this feeling is based upon the Department of Census survey of population trends after the war which lists a number of localities in New York State and other eastern areas as less favorable to future growth.

The other most important market in which you will be interested will be house heating fuel oils. A detailed study on this subject had to be made covering number of occupied homes, sizes and location, probable future construction, relation of sales of new burners to new homes and conversion of old burners, kind of new burners and probable consumption per burner, reconversion of burners, permanent improvements to homes made during war and changes in heating habits. All of these are reflected in the forecasts for home heating oils.

A few of the actual figures I am using may be interesting. In the United States in 1941 there were in use an average of 2,243,000 home burners. By 1949 I forecast this market will increase to 3,500,000 homes having distillate oil burners. New homes to be built in non-farm areas should reach almost 1,000,000 a year by 1948 and 1949 as compared with 600,000 in 1941 and an average of only 465,000 for the five year period before the war. This means then that in the post war period there will be about twice as many new homes built and I forecast the burner industry will sell about one out of every seven an oil burner. In addition of course, conversions of coal furnaces should continue but at a slower rate than before the war. Some of the areas in the United States have been fairly well converted to oil use and it will become increasingly more difficult to obtain conversions. The results of these forecasts show that by 1949 we should enjoy twice as large a market for distillate heating oils as we did in 1938 whereas the passenger car gasoline market may increase only 25% and all gasolines less than 40%. The use of light fuels for diesels and for miscellaneous industrial uses are forecast to increase very rapidly.

For New York State I had to apply general averages developed for the eastern area but the results should be interesting. These figures illustrate the greater importance of heating oils for this northern state as compared to the general average of the United States. I expect the demand to increase rapidly and by 1946 to equal 1941 and then continue to grow. It will be noted on graph No. 2 how much more rapidly the home heating distillate fuels have grown than gasoline. The forecasts of each give my ideas of the future course. By 1949 if the forecasts are realized, home heating distillate fuel oils should surpass passenber car gasoline and amount to 33,400,000 barrels a year as compared to 31,400,000 barrels of gasoline for passenger cars. This is quite a contrast to the figures for 1935 when home heating fuel oil amounted to only 11,600,000 barrels and passenger car gasoline was over twice as much, amounting to 25,425,000 barrels. In all of these figures I have tried to be conservative.

Conclusion

The future for petroleum is encouraging. For the 15 years from 1935 to 1949 we show a growth of 74% in domestic demand for all products. Such a growth should bring great benefits to the industry. Whether the industry does benefit or not depends upon how sound the policies are which are followed and how much careful attention is given to the basic economics of petroleum.

I think the future for petroleum is bright, but it is always changing. I hope you may find these forecasts helpful and also that the actual happenings may be somewhat along the lines I have anticipated.

Post-War Labor Problems

(Continued from page 2135)

relax protections which he now has.

Concurrently with this approach, you will probably find an increasing resistance to technological change in your plants. Machinery changes, technical changes, engender in man a fear. They create a sense of insecurity which, when compounded with a sense of national insecurity, is apt to have rather disastrous consequences when you attempt to introduce machinery improvements.

I think you will find, concomitantly with these two developments, an increased insistence on promotional opportunities based on that seniority, not only to the higher-paying craft jobs in your plants, but also even to the second and third levels of supervisory positions.

I am quite sure, because we are already experiencing it in many industries, that you will be confronted before long with severance pay demands, which, unfortunately, cannot be recalculated over your past cost of production.

I also believe that you are going to get an increased insistence on advance notices of lay-offs. Most of you have been accustomed, I assume, to making your lay-offs on fairly short notice. The direction, it seems to me, is very clearly in the way of insisting on greater periods of advance notice in the event a lay-off becomes necessary.

By the same token, you are going to find an increased insistence by the unions on union hiring. It becomes in a way their only political salvation. If they cannot control jobs for their unemployed members—God help them!

I also expect that we shall see—as we already have in the pending Little Steel case—modified demands for guaranteed employment of some sort. Labor is clearly tryng to get off the hourly pay basis. Whether the attempt will be made in graduated stages, such as a transition from an hourly to a weekly, from a weekly to a monthly, and monthly to a quarterly basis, remains to be seen, but there are many indications that you will experience during the next two years, some sort of demand for greater increases in guaranteed employment.

Of only secondary importance to the consequences of the unemployment problem in your plants, is the picture of wage and hours. We all know, of course, that the present labor take-home is anywhere from 45 to 55% greater than it was in January of 1941. I suggest to you, however, today, that labor is considerably more worried over the potential loss in future take-home than they are with a modification of the Little Steel formula.

It seems to me, therefore, that we should look rather sharply for the introduction of what will promise to be a new theory, a theory that will involve placing some sort of a floor on present take-home earnings. In other words, as the hours of work are reduced from their current 48 or 52-hour levels down toward 40 and less, you may expect increasing demands from labor for corresponding increases in basic hourly pay, so that the total take-home will not be seriously cut.

This demand, I anticipate, will become even more insistent if our price structure does not drop concurrently with the liquidation of our wage structure.

I look also for tremendous increases in strikes as the loss of overtime places a large segment of American labor on what will be pretty close to a subsistence basis. If you have any doubts about this, sharpen your pencils and figure out how you would budget an annual income of 17 to 18-hundred dollars, dividing it among the necessary expenditures for you and your family. You will unquestionably find great difficulty in figuring how you can live on that amount of money, at least in any of the metropolitan centers.

You will then understand more clearly that a wage of less than 85 to 95 cents an hour for common labor is bound in the post-war period to produce serious repercussions in the event that our price structure does not drop.

That fact, I think, can act as a compass for you in charting the most probable areas in which strike activity is likely to be greatest.

Of third and of tremendous importance, is the developing problem of Selective Service and the reinduction of returning veterans. There is, as many of you know, a very serious conflict between organized labor and Selective Service Headquarters over the seniority rulings of Selective Service.

The lines are being drawn—even some of the slogans are prepared. Folks are now talking in labor circles about the "veterans in overalls" as compared to the veterans in uniform, to which Colonel Griffin, General Hershey's deputy, replied "Hogwash!"

But the slogans are there, and they indicate a major dispute in the development. What is this problem? It revolves once again about the seniority issue.

Selective Service has ruled that the returning veteran has an absolute priority in his old job for a period of one year after his reinduction on the job. That means that a veteran who had only two years of service in your plant before he went to war, and three years of war service, will come back to you with but five years' seniority. But under that Selective Service ruling, if you must reduce your force, that five-year man has precedence over a non-veteran with 15 years of seniority.

You will appreciate the potential wedge that this type of ruling can develop between the employees who saw service and the employees who did not. It is a wedge of tragic consequences because it may split our laboring force into two parts.

Gentlemen, having painted a rather depressing picture, you are more than justified in demanding that I abandon destructive comments and set forth a constructive approach to the solution of impending difficulties. Unfortunately, I haven't the ability to write a prescription that will cure your present and future ailments, but as I view the situation, there seem to be only three avenues of approach to the problem.

Avenue 1—Let us dump our cares into the lap of Congress and tell our Government to take on our headaches. At this point, gentlemen, I expected boos from the audience—so I hope we'll try to throw that avenue permanently into the discard;

Avenue 2—Continue with the present course wherein each business now tries to adopt whatever expedient appears to promise temporary relief for his individual enterprise. That road, gentlemen, not only invites but promises chaos, for individually you are going to be pretty helpless to hold back the revolutionary tides that even now are beginning to come in; and, finally,

Avenue 3—Organization, solidarity and more organization. This avenue, I think, is your only hope of solving the forthcoming issues of transcending national importance, of which only a few of the major problems have been given a cursory headlighting this morning. Through such organization and solidarity the best brains may be picked for the formulation of universal basic principles—fair both to capital and labor; by it there could be established a machinery, adequately conceived and administered, to carry out those principles; and there could likewise be inaugurated the highly necessary training programs designed to teach all of us how best to handle our individual difficulties in conformity with those general principles.

Possibly a concrete beginning for such organizational activity might be bargaining on an industry-wide basis, with an association of employers on the one hand and representatives of labor on the other, instead of the individual catch-as-catch-can method we are now pursuing.

We have seen small beginnings of industry-wide negotiations in this country. England has practiced it on an almost universal scale. A country-wide extension of that practice here at home seems to me to hold forth considerable promise.

We already have the basic foundation for it in our various trade associations, but your good will and cooperation is vitally necessary for the erection of the superstructure.

I fully realize that today's comments have not been comforting, but I believe we have too many false prophets with their religion of muddling through.

We may think our way out of this situation, gentlemen, but sure as shooting, we will never muddle our way out of it.

Let us not overlook the fact that great civilizations before us have withered on the vine because they had apathetic statesmen who neglected to cultivate those civilizations with prudence and foresight.

In conclusion, gentlemen, let me say that I believe we are exceedingly fortunate in that we have been permitted to live in a period of world history unequalled for the opportunities it affords for constructive and personal contributions. With those privileges, however, we are presented with a challenge of similar proportions, and it is up to us whether that challenge is to be met or not.

Inflationary Trends Decline

The efforts to curb the war-time rise in prices are steadily gaining in effect throughout the world, to judge by the index numbers available. The trends are clearly illustrated in a series of special graphs appearing together with the regular set of economic and financial data in the September issue of the Monthly Bulletin of Statistics, just published by the League of Nations' Economic and Financial Department at Princeton, N. J.

Wholesale Prices and Cost of Living

While the national price levels were still generally higher by the middle of this year than 12 months earlier, the rate of increase had not been nearly so rapid as previously. In about two-thirds of the countries for which indices are available, the rise in both wholesale prices and cost of living was brought to a halt in the course of 1943 or early in 1944 and has for some countries given way to a decline.

The summary table below shows the percentage increase or decrease (—) in wholesale prices and cost of living by 12-month periods ending in the month indicated. The countries are arranged in order of the greatest percentage decrease or the smallest percentage increase in wholesale prices during the past year.

League of Nations Issues Bulletin Which Shows Reduced Rates of Increase in Wholesale Prices and Living Costs

	WHOLESALE PRICES						COST OF LIVING					
Country—	Month	1940	1941	1942	1943	1944	Month	1940	1941	1942	1943	1944
Turkey	Mar.	--	32	69	158	—32	May	—	16	59	72	19
India	July	14	32	21	83	—10	Mar.	7	8	16	52	9
*Palestine	June	27	39	38	37	— 1	†May	19	35	64	*38	— 4
							‡May	11	27	70	*38	— 2
Sweden	June	31	21	8	1	— 1	July	16	16	10	2	— 1
Peru	Aug.	16	18	25	15	0	Aug.	9	6	14	12	15
Chile	June	12	11	41	12	1	June	14	12	26	21	7
Australia	July	13	5	16	3	1	June	4	5	8	6	— 2
Norway	July	35	26	4	2	1	June	15	21	6	2	1
United States	Aug.	3	16	10	4	1	Aug.	0	5	11	5	2
Germany	July	3	1	3	2	1	July	4	3	2	2	3
Canada	Aug.	11	12	3	5	2	July	5	8	4	1	0
Denmark	July	49	24	4	1	2	June	27	19	3	— 1	2
United Kingdom	§July	42	9	4	3	2	July	20	7	2	—2	2
	¶July	38	12	3	4	3						
**New Zealand	July	13	11	10	5	3	June	4	5	2	--	**0
Switzerland	July	32	33	13	3	3	July	11	17	10	4	3
Argentina	June	21	12	36	9	4	June	4	0	8	4	— 6
Union of South Africa	May	12	7	13	10	5	May	4	4	8	7	3
Costa-Rica	Aug.	— 4	9	27	23	6	Aug.	— 2	4	19	31	5
Venezuela	Mar.	— 7	77	— 5	17	8	††Mar.	— 4	0	4	11	5
Spain	June	19	19	8	12	9	May	‡‡14	35	8	— 2	5
Japan	Mar.	8	3	10	4	9	May	20	0	2	6	11
Manchuria	Jan.	26	21	7	10	9	Jan.	36	31	12	13	16
Portugal	May	29	18	14	30	13	§§June	10	7	17	10	15
Finland	April	34	26	21	15	14	July	22	16	16	14	7
Egypt	May	13	21	44	31	17	May	7	21	32	40	11
Iran	June	9	30	70	76	22	June	13	27	77	147	35
Bulgaria	Aug.	18	28	23	26	--	Aug.	--	¶¶6	30	30	--
Mexico	Aug.	1	7	11	23	32	***July	5	1	18	38	26
Hungary	Oct.	23	25	15	57	--	Dec.	15	21	9	31	--

*Palestine: cost of living, since 1943, new index; prior to 1943, excluding clothing and rent. †Arab markets. ‡Jewish markets. §Board of Trade. ¶Economist. **New Zealand: cost of living, since 1943, new wartime index. ††Foodstuffs only. ‡‡Since July, 1939. §§Excluding clothing and rent. ¶¶Since January, 1941. ***Excluding rent.

No recent data are available for China; however, the cost of living in Chung-King in July, 1943, was 5074% above the 1939 level.

A number of European countries, some of them but recently liberated, have had to be omitted for lack of adequate data. For France, however, data are available which suggest, as shown below, that the rate of increase both in officially quoted wholesale prices and in cost of living had begun to slow down prior to the liberation:

Percentage increase in France during—	1942	1943	1944 (Jan.-April)
Wholesale prices	20%	15%	3%
Cost of living	20	29	8

The Serviceman's Readjustment Act

(Continued from page 2136)

number of months being any 12 in such period.

The Act also provides for additional hospital facilities for disabled veterans and for an employment placement board to establish policies for and coordinate the veterans' employment placement services of the Federal Government.

Before discussing the technical aspects of the GI loans let me point out that only the regulations covering the guaranty of home loans have so far been issued. These, however, lay down the pattern for the other regulations.

A veteran to be eligible to apply for a guaranteed loan must have served in the Army, Navy, Marine Corps, or Coast Guard since Sept. 16, 1940, and prior to the termination of the present war, and must have been discharged or released from service under conditions other than dishonorable after a period of active service of 90 days or more, or because of service connected injuries or disabilities regardless of the period of service. The application must be made either within two years after discharge or release from service or two years after the termination of the war, whichever is later, but an application may not be made in any event more than five years after the termination of the war.

The purposes for which a guaranteed loan maye be made are threefold:

First, the purchase or construction of a home, which is defined in the regulations as a "dwelling consisting of not more than four family units, or any combination dwelling or business property, the primary use of which is occupation by the veteran as his home."

Second, the purchase of a farm, including land, buildings, livestock, equipment, machinery, or implements.

Third, the purchase of a business, including land, buildings, equipment, machinery, supplies, or tools.

Also a guaranteed loan may be made for repairs, alterations and improvements in, or for payment of delinquent indebtedness, taxes or special assessments on a dwelling (including a farm dwelling), owned and used by a veteran as his home.

Guaranteed loans may not be made, however, for crop production on a farm or for working capital for a business.

There are two types of guaranteed loans; one, partially guaranteed, the other, fully guaranteed.

Under section 500 of the Act, the Administrator of Veterans Affairs is authorized to guarantee up to 50% of a loan or loans to an eligible veteran but in no event may the aggregate amount guaranteed exceed $2,000.

Under section 505, the Administrator is authorized to guarantee fully a second loan if a primary loan is to be made, guaranteed or insured by a Federal agency to cover part of the purchase price of the property which the veteran proposes to acquire and he is in need of such second loan to cover the remainder, or a part of, such purchase price. Such fully guaranteed second loan may not exceed 20% of the purchase price and the amount of such loan together with the guaranteed amounts of all other loans to such veteran may not exceed $2,000.

In other words, a veteran may split the guarantee among loans for several of the specified purposes, but the aggregate amount guaranteed on all loans to the same veteran may not exceed $2,000. For example, a veteran could use part of the guaranty on a loan for the purchase of a home and the balance on a loan for the purchase of equipment to set himself up in business, or part on a loan for the purchase of a farm and the balance on a loan for farm machinery or livestock.

A "Federal agency" which will make, guarantee or insure the primary loans is defined in the regulations as "any Executive Department, or administrative agency or unit of the United States Government (including a corporation essentially a part of the Executive Branch) at any time authorized by law to make, guarantee or insure such loans."

The Federal Housing Administration, the Federal Farm Mortgage Corporation, the Reconstruction Finance Corporation and the Smaller War Plants Corporation are examples of the agencies qualified to make, guarantee or insure loans under this definition. However, the Federal Reserve Banks, the Federal Land Banks and Production Credit Associations could not qualify under this definition.

The law did not make it entirely clear whether, in the case of a partially guaranteed loan, the Administrator was liable under the guaranty to pay only a proportionate part of the ultimate loss or whether he was liable to the full extent of the guaranty for any amount of the loan remaining unpaid. The regulations remove this uncertainty.

The law provides that the liability under the guaranty shall decrease or increase pro rata with any decrease or increase in the unpaid portion of the obligation. Under the regulations, however, such pro rata decrease in the guaranty takes place only in respect to decreases in the unpaid principal of the loan prior to making claim under the guaranty. Thus the liability of the Administrator under the guaranty becomes fixed as of the time claim is filed when a default occurs, and any amount applied to the reduction of the unpaid principal after filing of the claim will not cause a further reduction of the guaranty.

Also the regulations make the Administrator's legal right of subrogation to the lien rights of the holder of the guaranteed obligation, junior to the rights of the lender as against the debtor or the mortgaged property until the lender shall have received the full amount of the loan. The lender thus may reduce the debt to judgment or foreclose the mortgage securing the loan and apply any recovery to the unguaranteed portion of the loan, the Administrator continuing liable to make good the extent of the amount guaranteed. Take this illustration: A bank makes a loan of $8,000 to a veteran of which $2,000 is guaranteed by the Administrator. The loan is secured by a first mortgage. It is subsequently paid down to $6,000. The reduction in the principal results in a reduction of the guaranty to $1,000. If the loan then becomes in default, claim may be made under the guaranty and the Administrator becomes liable to pay the full $1,500. The bank also may recover the $4,500 balance of the loan from the borrower or from a foreclosure sale of the property mortgaged to secure the loan.

To be eligible for guaranty, loans for the purchase of homes or farms must be secured by real estate mortgages; loans for the purchase of livestock or farm or business equipment must be secured by chattel mortgages, conditional bills of sale, or other security instruments creating a lien on such personal property, unless the loan is $500 or less, in which case it may be unsecured.

If the loan is for the purchase of a home or farm, the mortgage must be a first mortgage unless it is a fully guaranteed second loan under section 505, in which case the mortgage may be a second mortgage.

A loan for repairs, alterations, or improvements, or payment of delinquent indebtedness, taxes, or special assessments also may be secured by a second mortgage if the property with respect to which the loan is made is already encumbered by a first mortgage.

A term loan may be eligible for guaranty if the amount thereof plus all superior obligations does not exceed two-thirds of the value of the property and the maturity is not longer than five years.

Otherwise the loan must be amortized by periodical payments, not less frequently than annually, sufficient to pay the loan in full within not more than 20 years.

The periodical payments may include amounts to cover taxes, insurance premiums, ground rents and special assessments. Unless otherwise provided, all periodical payments are to be applied first, to taxes, etc.; next, to interest, and last to principal.

The interest rate may not exceed 4%, whether the loan is partially guaranteed or is a fully guaranteed second loan, even though the primary loan bears a higher interest rate.

The Administrator is obligated to pay the first year's interest on the guaranteed portion of the loan for the veteran, but the lender will have to make claim therefor to the Administrator under the terms of the guaranty.

Prepayment of all or any part of a loan must be permitted at any time if the loan is amortized, or on one month's notice if the loan is a term loan. No premium may be charged for any prepayment.

Any customary charges such as appraisal fees, credit report fees, etc., actually paid or incurred by the lender may either be included in the note or withheld from the proceeds of the loan.

The lender may make advances to pay taxes, assessments, insurance premiums, or the cost of emergency repairs and may apply all payments made by the borrower for a period of 12 months against such advances.

Minimum insurance coverage against fire and other hazards is required to be obtained and maintained in force. Failure to do so may result in a reduction of the guaranty and any uninsured loss resulting from such failure will not be covered by the guaranty.

The guaranty also does not cover losses resulting from failure to obtain a merchantable title of the mortgage property, failure to obtain a lien of the required priority, and a tax sale.

When a veteran applies to your bank for a guaranteed loan the first step is to ascertain whether he is eligible. This information can be obtained from the nearest office of the Veterans Administration which will furnish the bank with a certificate of eligibility. This certificate will also show the amount of the guaranty available to the veteran. Thus the bank is relieved of the responsibility of determining whether the veteran meets the eligibility requirements of the Act and whether any part of the guaranty available to him has been used for other loans.

The bank then has the veteran fill out the application for guaranty which has to be signed both by the veteran and the bank.

If the loan is to be secured by a real estate mortgage, the bank has the property appraised by an appraiser designated by the Veterans Administration whose name and address will be furnished with the certificate of the veteran's eligibility.

The bank must also obtain a credit report on the veteran from a recognized credit reporting agency.

The expense of the appraisal and credit report is borne by the veteran unless the bank is willing to assume it.

After these steps are taken and the bank determines it is willing to make the loan if it is guaranteed, it submits to the agency designated by the Administrator the following papers:

(1) Certificate of Eligibility
(2) Loan Guaranty Certificate
(3) Application for Guaranty
(4) Credit Report
(5) Appraisal Report, if any
(6) Proposed loan closing statement of the estimated amounts to be disbursed by the bank for the account of the veteran
(7) Statement of the kinds and amount of insurance to be required and estimated premium cost, unless this information is contained in some of the other papers submitted
(8) Copy of the "conditional sales agreement" if the loan is to be predicated on such an instrument.

The Act authorizes the Administrator to designate such agency or agencies as he finds equipped to determine whether the guaranty of loan should be approved.

The regulations define such "designated agency" as "any Federal instrumentality designated by the Administrator (including the Veterans Administration if so designated) to certify whether an application meets the requirements of the Act and regulations and to recommend whether the application should be approved if the applicant is found eligible."

No agency has as yet been designated by the Administrator to process the guaranty of any of the three classes of loans.

When the designated agency receives the application and other papers from the bank it reviews them to determine whether the conditions precedent to an approval of the guaranty have been met.

In the case of home loans, the agency must determine whether the present and anticipated income and expenses of the veteran are such that he may reasonably be expected to be able to repay the loan according to its terms and that the property to be purchased is suitable for dwelling purposes. In the case of farm and business loans it must determine whether the ability and experience of the veteran is such that there is a reasonable likelihood that he will be successful and that the property to be purchased will be reasonably necessary for efficiently conducting such farming or business operations.

In the case of any loan for which a guaranty is sought, the agency must ascertain that the purchase price of the property does not exceed the "reasonable normal value" thereof as determined by proper appraisal.

After reviewing the papers, the agency forwards them to the Administrator with its recommendations for approval or disapproval of the guaranty. If it recommends disapproval it must give reasons.

The Administrator makes the final determination whether the guaranty shall be approved or disapproved. If disapproved, he notifies the bank by letter of the denial of the guaranty and states the reasons therefor. He sends a copy of this letter to the veteran. If approved, he notifies the veteran and forwards the executed Loan Guaranty Certificate with all other papers to the bank with instructions as to closing the loan in a manner to make the guaranty effective.

After receiving the certificate of guaranty the bank has a title examination made of the property which is to be mortgaged to secure the loan, completes the execution of the note and mortgage, has the latter recorded, and disburses the loan proceeds. Within two months thereafter the bank must submit a detailed report to the Administrator showing that his instructions for closing the loan have been complied with.

In the case of construction loans the guaranty does not become effective until completion of construction.

Claim under the guaranty may be filed with the Administrator at any time after a default has continued for three months, in the case of an amortized loan, or one month in the case of a term loan.

If a default continues for six months, even though no claim is filed, the bank must give notice to the Administrator of the default within the following month.

Upon the filing of a claim the Administrator has three optional methods of settlement.

(1) He may pay the amount in default. Such payment will cure the default and prevent any acceleration provisions from taking effect; but the guaranty will be reduced by the amount of such payment. Therefore the Administrator is permitted to exercise this option only once, and then in an amount not exceeding the aggregate amount of principal or interest payable in one year, or not exceeding 10% of the original amount of the guaranty, whichever is the lesser. Thus the amount could never exceed $200.

(2) He may pay the full amount of the guaranty without requiring the bank to foreclose, or take personal action against the veteran.

(3) He may pay any amount agreed upon not exceeding the amount of the guaranty and notify the bank to institute foreclosure proceedings with, or without, legal action to reduce the debt to judgment.

A bank, apparently without making a claim under the guaranty, may give notice to the Administrator of intention to foreclose the mortgage. It may not begin action in court, or give notice of sale under a power of sale until the expiration of 30 days after receipt by the Administrator of the notice of intention to foreclose.

Immediate action, however, may be taken by the bank without prior notice to the Administrator if conditions exist justifying the appointment of a receiver for the property.

The Administrator may bid at the foreclosure sale, or he may obtain a refinancing of the inindebtedness which will prevent a consummation of the foreclosure sale. He may also exercise any redemption rights.

So far in this discussion I have not touched upon one very important element affecting the extent to which banks may be able to participate in this guaranteed loan program for veterans. This is the legal restrictions placed upon the lending powers of banks, particularly in relation to real estate loans. The GI Act does not in any way supersede or modify the banking laws, national or State.

The Comptroller of the Currency has ruled that the second loans fully guaranteed by the Administrator under section 505 of the GI Act are not to be considered real estate loans subject to section 24 of the Federal Reserve Act, even though mortgage security is required for such loans, the theory being that the bank's security is the Administrator's guaranty and the mortgage is taken as additional security for the protection of the Administrator. This ruling will enable national banks to make these fully guaranteed second loans where the FHA insures the primary loan.

Although this is a partial solution to the problem for national banks, there are many which do not make FHA insured loans. Also this ruling is of very limited benefit except in the case of home loans. About the only opportunity for a bank to make one of these fully guaranteed second loans to a veteran for the purchase of a farm would be where the primary loan is made by the Land Bank Commissioner.

The only alternative to the fully guaranteed second loan is for a bank to make a partially guaranteed loan under section 500 of the GI Act and the bank will run smack up against the restrictions of the banking laws in making these loans, unless the banking supervisory authorities can find some way of exempting them from these restrictions or the banking laws are amended.

In some States this has already been done. In Maine a law was enacted last September which completely exempts any loan guaranteed under the GI Act from any restrictions in the banking laws of that State. The Banking Board in New York and the Governors of Massachusetts and Connecticut, under war powers given them by their State Legislatures, have also acted to modify the application of the banking laws of their States in the case of these guaranteed loans, by increasing the limit on real estate loans by the amount of the Administrator's guaranty. Thus, if the banking law of the State limits banks in making real estate loans to an amount not exceeding two-thirds of the value of the property, a bank, instead of being limited to a loan of $4,000 on a property having a value of $6,000, could make a $6,000 loan on such property if the Administrator guarantees $2,000.

There appears to be no particular problem from the standpoint of the banking laws in the case of guaranteed loans for the purchase of farm or business equipment. Also the Board of Governors of the Federal Reserve System have amended Regulation W to exempt any loan guaranteed by the Administrator under the GI Act.

One thing is clear. Banks will be confronted with many problems as the result of the enactment of this Act. Not the least of these will be the attitude of veterans if many applications for guaranteed loans are turned down by banks. This presents a real public relations problem.

There is no question but many loans will be sought by veterans which in their own interests should not be made. It will be a disservice rather than a service to a veteran to make him a loan in order that he may engage in a business or farming venture as to which there is every indication of eventual failure, or to enable him to acquire a home which may not meet proper housing standards, or for many other reasons. Yet many veterans believe that all they have to do is apply for a guaranteed loan and it will be forthcoming.

It should be a vital concern of every bank to see that each veteran who applies for a loan receives tactful and sympathetic consideration. A bank should not turn down a veteran's application without first endeavoring to satisfy him that it is to his own interest not to assume the obligation, or to make him understand why the bank is unable to make the loan. Also every bank should keep a record of all loan applications which are refused and the reasons for the refusal to make the loan.

It was recognized from the start that the law was by no means perfect and that experience would probably demonstrate the need for corrective amendments. In the meantime banks should make every possible effort to meet all reasonable requests of veterans for banking services.

Aircraft Situation Appears Interesting

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared an interesting memorandum discussing recent developments affecting aircraft manufacturers and also the present general market situation. Copies may be had from the firm upon request.

Price Policies for Reconversion Period

(Continued from page 2136)

fected by price controls. In the past year, our experience in consulting closely with industry has been helpful. We in OPA are relying more and more on these committees for advice in working out new price regulations or changes in old ones. OPA has benefited vastly in thus being able to key its specific regulations closely to actual industry practices. And industry has come to have a better understanding of the problems of price control as a result of these consultations. Industry has also benefited when our wartime regulations have been so developed as to allow business to operate without substantial hardship.

In OPA itself, we have been steadily strengthening our staffs during the past year or so by bringing in successful and experienced businessmen. Many of them left jobs paying considerably more than their government salaries, in order to help with the price control program.

Dozens of other businessmen have spent their time without compensation as consultants to OPA. Some of them have worked with us for several months at a time, giving generously of their experience and time, helping us to work out the tough technical details of pricing problems in their specialized fields.

Furthermore, I have seen a great strengthening in compliance with OPA regulations through the cooperation of industry. This reflects the patriotic desire of businessmen to prevent a costly and disastrous inflation and their basic honesty in refusing to have a part in black market operations.

Trade associations have been of assistance to the price control and rationing programs in many ways.

The present Grocer-Consumer Anti-Inflation Campaign is an outstanding current example of active cooperation. Trade associations in all branches of the food trade from coast to coast have joined with leading consumer groups and the Government, to make a success of this most important campaign.

I feel this represents an awakening of all the people to the fact, first that we want to protect the American consumer and American business from inflationary rises in an important cost of living field that represents 40% of the average household budget, and second, that all groups must get together and do the job democratically.

That is the way the job has to be done—on a frank and friendly basis. It reflects a realization that Government cannot do it alone. It can never be done by consumer action nor by trade action alone.

When you hear a commercial radio program on a nation-wide hookup giving over part of its broadcasting time to a government wartime message—such as car pooling or the Grocer-Consumer Campaign—you know that industry is cooperating with government.

Many times when we have had to make quick contacts with an industry, the trade associations have been the means of reaching the people we need to talk with. Trade groups have also helped us time and again by publishing in their association bulletins pertinent and detailed information about OPA activities and regulations in their particular fields. They have been generous with their time and their data.

Since May, 1942, just after passage of the Emergency Price Control Act, industrial prices have risen by less than 3% and the cost of living by about 9%. The fact that this job has been accomplished—and without hardship to any major economic group—makes us confident that the job ahead can also be successfully carried through when the time comes to convert from war production to an increased production of peacetime goods. The record shows that as a people, we have what it takes to manage our economic affairs in times of stress.

In preparing for the day when the war in Europe will be brought to a close and we can convert our economy partially to peacetime production, we must make intelligent plans to meet the rapidly changing economic conditions that will take place. OPA and industry must work closely together to avoid the dangers that lie ahead. We in OPA must use to the best possible advantage, the close contacts we have made with every business group in the country. Already, we are consulting with businessmen and industry groups in some of the fields that will be among the first to be affected by reconversion.

You, as representatives of American industry, are vitally interested in the policies that OPA will follow after V-E Day, and the part you can play in helping to prevent the twin dangers of inflation and deflation from taking their toll in the days ahead. Your desire to cooperate has already been demonstrated tangibly. Many of you association managers have written to Chester Bowles for copies of his memorandum to all OPA Advisory Committees on OPA'S Pricing Objectives in the reconversion period for distribution to your members.

Reconversion is a program that challenges the ingenuity of all of us—Government, industry, labor, farmers—to guide ourselves successfully through this difficult transition period. It calls for close cooperation, courage, good sense and a common understanding of the problems that we face. Trade association executives can assist greatly in getting information about reconversion objectives to their membership and in preparing them for the problems that will have to be faced—and solved.

A look at the last war and the months of wild inflation and sharp deflation that followed the armistice in November, 1918, provides us with some examples of the problems we may face. The pressures at that time were on a greatly reduced scale, but there is enough similarity between conditions then and now to warrant a study of what happened in 1919 and 1920.

Many of you remember how during the first phase, immediately after the armistice, there was a lull and prices went down a little until March, 1919. Chances are that there will be some similar softening of prices in some fields after V-E Day.

Many workers, now in war plants, will be temporarily out of work while the plants are reconverted. Strong demands for raw materials will probably not develop at once, as manufacturers set up production lines for civilian items that have been off the market. After the last armistice, this lull period lasted about four months, before prices started their sharp post-war increase. This time it could be somewhat longer—by several months let us say. The reason is that we shall have a greater plant volume to reconvert. War production in the last war was running at the peak rate of 20 billions per year at the end of the war. In this war, our peak has been 90 billions. Within three months after the defeat of Germany, it is estimated that this will be cut to about 40 billions. Cutbacks in war contracts will make available more than four million workers for the production of peacetime goods.

This will be a period—as prices ease away from ceilings — when many persons will rise to say controls are no longer necessary.

This will be a period when you who are vitally interested in preventing inflation must seriously consider the dangers of removing controls too soon. You will want to avoid a hasty action that might result in losing the battle against inflation — a battle that has been waged so successfully during the war thus far. I am sure you will agree that we dare not make the mistake again of supposing that the economic impact of war ends when the shooting stops in Europe. The time will come when the OPA regulations eventually can be torn up. But we mustn't tear them up for confetti the minute the whistles and sirens start to blow and we all get into the streets to celebrate the German collapse.

For we cannot forget that a second phase of economic stresses and strains will develop. This is the dangerous phase. Four months after the last war, the price levels again started upward as a wild scramble for inventories and new goods developed. Almost half of the first World War inflation was experienced after November, 1918. By June, 1920, living costs had risen to 108% above the 1914 level. In the inevitable collapse that followed, corporatian profits after taxes dropped from six and a half billions to a net loss of 55 millions in 1921. Inventory losses, amounting to 11 billions, wiped out practically all the reserves accumulated out of wartime profits. And factory payrolls dropped 44% to bring misery and privation to millions of our workers. The drop in net farm income was even more severe with the result that almost half a million farms were foreclosed in the next four years.

Strong pressures against ceiling prices could develop in the second —or inflationary—phase of the reconversion period. By the end of 1944, individuals will have saved up over 100 billion dollars and they will be waiting to spend it for the things they could not buy during the war. This contrasts with 1915-1918 wartime savings of around 25 billions of dollars.

Manufacturers and merchants also have billions of dollars of wartime reserves. Manufacturers in their desire to be among the first to produce consumer goods may want to compete for raw materials or component parts. Retailers will want to build up quickly a good inventory of new goods to capture the business from those who are waiting to buy.

The inventory boom that could develop as a result of these pressures might have disastrous consequences. All of those who remember the evils that came from speculation in inventories after the last war—when many companies overbought by double or treble their actual needs and then suffered severe losses as prices collapsed — are agreed that they don't want it to happen again.

I want to suggest to you that this affords the trade associations an opportunity to render a second service to their member firms. You trade association managers can caution your members against attempts at overbuying. You will probably want to remind them that as long as OPA continues its price controls during this period of inflationary threats, there is no financial advantage to be gained through gambling in inventories in the anticipation of reselling at a higher price. Price controls at such a time offer a real protection not only against rising prices but also against the incentive for competitive bidding for inventories

The third and final phase comes when supply and demand get back into balance and price controls no longer will be needed. As soon as there is no further danger of price increases in a particular field, OPA will promptly drop its controls in that field. The exact timing will vary widely from item to item. But working with Industry Advisory Committees we will watch each field closely. We will rely heavily on their recommendations as to when controls can be safely removed.

All industry people are anxious to know when we are going to decontrol. They want to be assured that we are not planning to perpetuate a bureaucracy in this field. Let me repeat what Chester Bowles has said many times. No one is more anxious to end price controls and get back to private business than I, and many other businessmen in the OPA.

But before we leave, we want to be sure that there is no danger of a repetition of the follies of 1919-20.

You of course want to know the pricing policy through which OPA proposes to meet the difficult conditions that lie ahead.

First, we must continue to hold the line against inflation.

Second, our pricing policies must not stand in the way of the manufacturer's desire to produce to the limit of his capacity. This means prices that yield good profits for business, large or small, on the basis of high volume production.

Third, our pricing policy must be easy to apply. Decisions must be made rapidly. Manufacturers have a right to expect from us the quickest possible answers on requests for prices on new items.

Fourth, through our pricing policies, we must be careful not to force down high levels of wage rates. Good wages and full employment provide the only sound basis for good markets for business and the farmer.

Fifth, recognizing that the prosperity of our farmers will furnish one of the largest and most profitable markets for industrial products, we must do everything we can in our power to protect farmers from the squeeze between rising costs of the things they buy and declining prices for the things they sell.

If we hold controls in effect after they are no longer needed, it will tend to discourage production and initiative on the part of industry. And full production furnishes the answer to post-war prosperity and should be the objective of every thinking American in farming, labor, industry, and government.

These are the objectives of our pricing policy for the reconversion period.

Now let us look at some of the specific problems that will confront OPA and the businessmen in working out the price levels that will be set for the civilian items coming back into production after V-E Day. These products will be largely in the consumer durable goods field, ranging from automobiles to egg beaters. They will be made by some 25,000 companies which have been devoting their production to war goods for the past two years or more. There are about two dozen major items accounting for about 85% of the total dollar volume in this field. These include, in addition to automobiles, such products as refrigerators, washing machines, vacuum cleaners, electric fans, toasters, and other appliances, radios, clocks, and watches.

OPA is now actively consulting with these manufacturers, industry by industry, to discuss the volume they plan to achieve; what they are going to pay for labor and materials; the savings they expect to make through increased plant efficiency, and lower sales costs. We also are being guided by prices which they feel, on the basis of their own experience, are most likely to assure the wide-scale consumer buying necessary to maintain volume production.

We are at the same time working on pricing methods to be used by all the manufacturers of miscellaneous products who will apply to our 93 OPA district offices, located in all parts of the country

(Continued on page 2158)

The Securities Salesman's Corner

By JOHN DUTTON

Progressive Southern Dealers Build Good-Will By Tendering Banquet to Their Clients

There is no substitute for the confidence that clientele of satisfied customers automatically gives to a dealer who has served them well. It is sometimes erroneously assumed by those who do not know what goes on in a representative security dealer's organization, that the only reason a dealer cultivates the confidence of his clients is to make as large a profit for himself as is possible, and whatever happens to his client's investments afterwards is of no further importance to the dealer. This opinion is more widely held than you would ordinarily think possible. It even shows evidence of existing in the thinking and the actions of certain members of the personnel of the SEC.

Now confidence of one customer leads to the confidence of another—it takes more than a pleasant smile and a winning way to gain confidence in the securities business—IT TAKES PERFORMANCE to hold accounts and keep them. No dealer who has brains enough to run his business successfully under present conditions is deliberately going to go out and work his head off to build a clientele, and then turn right around and take advantage of the good-will he has worked so hard to establish by losing these accounts through overcharging, indifference, or ill-considered policies of any nature.

No one wishes to imply that security dealers are in business for their health any more so than individuals engaged in every other type of effort you can name from politics to personal service. But one thing is certain, once you gain the confidence of your customers so that you can get them to act WHEN YOU THINK THEY SHOULD ACT, you can render a better investment service which **will redound to their benefit.** No other type of business requires that the buyer should place as much confidence in the seller as does the securities business. UNLESS A DEALER CAN OBTAIN COMMITMENTS FROM HIS CUSTOMERS WHEN HE BELIEVES THAT THEY SHOULD BE MADE, THE ALL IMPORTANT ELEMENT OF TIMING CANNOT BE CONTROLLED. Without proper timing successful investment results are seriously impaired. The most successful security dealers — THOSE WHO HAVE DONE THE BEST JOB FOR THEIR CLIENTS — ARE THE DEALERS WHO HAVE TOLD THEIR CUSTOMERS THAT THEY SHOULD BUY WHEN THEY TELL THEM TO BUY, SELL WHEN THEY ARE TOLD TO SELL, AND STAY OUT WHEN THEY ARE ADVISED TO HOLD THEIR CASH. This is the way to build accounts and if you know your business it's the only way to keep accounts and help THEM TO HELP THEMSELVES.

So much for confidence and what it really means in the securities business. Many dealers who operate their business along progressive lines will be interested to know that one southern firm has been holding a banquet once a year for their clients. The costs can be CHARGED TO ADVERTISING for tax purposes (it's a perfectly proper business expense). A leading hotel or country club is engaged and the dinner is held around the latter part of the year — usually in November or December — the holiday spirit and times add to the occasion. This year the firm is having a guest speaker who is associated with one of the companies whose stock many of their customers now own. Other speakers and entertainment are provided and every attempt is made to see to it that a good time is enjoyed by all. As a result much free advertising is gained by the firm — customers are invited to bring a guest if they so desire — the whole affair is informal — no attempt is made in any way to bring in the commercial angle but the business that follows and the new accounts that can be opened make such a venture well worth the expense.

It is ideas such as this that are putting some dealers way ahead of the crowd — THERE IS PLENTY OF BUSINESS AROUND IF YOU WILL GO AFTER IT.

Price Policies for Reconversion Period

(Continued from page 2157)

to obtain their ceiling prices. Every effort will be made to see that these producers get a decision quickly. Present plans call for filing of a price with the OPA district offices, which if not disapproved within a short period will be the manufacturer's price. We are well aware that any delay on our part in setting prices would be a great hardship for small manufacturers.

But, before we can establish new prices intelligently — either for the large industry or the individual manufacturer—it will be necessary to have certain cost data.

I want to impress as strongly as I can the absolute necessity for accurate data in setting prices and in considering the justness of a request for a price adjustment.

You therefore can do us and your industry a service by emphasizing again and again the need for filing promptly requests for financial information. Industry can help speed the process of working out actual prices by being prompt in delivering information which is so vital to an intelligent pricing job.

From time to time, trade associations which have research and statistical departments may be of great help to OPA by supplying us with data from studies made by them. For instance, they may have on hand list prices of manufacturers in their field for base pricing periods in October, 1941, and March, 1942, together with methods of handling freight charges and discounts by classes of customers and commodity groups. For work on reconversion pricing, it will be helpful for us to know, for instance, how manufacturers distributed their sales in typical pre-war years as well as the operating results of manufacturers in prescribed years. Data on wholesalers and retailers such as typical mark-ups, discounts, distribution of sales volume and operating results by years will aid us in pricing reconversion goods intelligently. We may be calling upon your various associations for information of this type.

Business has a big investment in the future of the country. I want to say that if business wants to realize a return on this investment, it is up to business to work with all other groups to get through the difficult reconversion period in a strong financial position.

Industry's capacity to produce and the knowledge that business can prosper with mass production at prices that tap mass markets furnishes the key that will lead us with greatest speed through the inflationary period. Mass production furnishes the key to the creation of new jobs to employ those released from war production and from the armed services It points the way to the day when price controls can be dropped and the responsibility of pricing can be turned back to American industry.

It will then be up to businessmen to gear the prices they charge, the wages they pay, to the requirements of our full-production economy. American businessmen have demonstrated that they can measure up to that responsibility. The lessons of the war period, reenforced by those to be drawn from pricing during reconversion should be so persuasive that no important sector of business opinion will want to revert to a system of high prices and limited markets that results in unemployment and small national income and small business earnings. With courage, good sense and an understanding of the responsibility that rests in their hands, I am sure that American businessmen will be ready to meet the test.

DIVIDEND NOTICE

Imperial Oil Limited

NOTICE TO SHAREHOLDERS AND THE HOLDERS OF SHARE WARRANTS

NOTICE is hereby given that a semi-annual dividend of 25c per share in Canadian currency has been declared, and that the same will be payable on or after the 1st day of December, 1944, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 62 at:

THE ROYAL BANK OF CANADA,
King and Church Streets Branch,
Toronto 1, Canada.

The payment to Shareholders of record at the close of business on the 16th day of November, 1944, and whose shares are represented by Registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 30th day of November, 1944.

The Transfer books will be closed from the 17th day of November to the 30th day of November, 1944, inclusive and no Bearer Share Warrants will be "split" during that period.

The Income Tax Act of the Dominion of Canada provides that a tax of 15% shall be imposed and deducted at the source on all dividends payable by Canadian debtors to non-residents of Canada. The tax will be deducted from all dividend cheques mailed to non-resident shareholders and the Company's Bankers will deduct the tax when paying coupons to or for accounts of non-resident shareholders. Ownership Certificates must accompany all dividend coupons presented for payment by residents of Canada.

Shareholders resident in the United States are advised that a credit for the Canadian tax withheld at source is allowable against the tax shown on their United States Federal Income Tax return. In order to claim such credit the United States tax authorities require evidence of the deduction of said tax, for which purpose Ownership Certificates (Form No. 601) must be completed in duplicate and the Bank cashing the coupons will endorse both copies with a Certificate relative to the deduction and payment of the tax and return one Certificate to the Shareholder. If Forms No. 601 are not available at local United States banks, they can be secured from the Company's office or the Royal Bank of Canada, Toronto.

Under existing Canadian Regulations:

(a) Payment of this dividend to residents of enemy or enemy occupied countries is prohibited.

(b) Payment thereof to residents of other portions of Continental Europe and China is prohibited but such residents may direct the deposit to their credit in a Canadian Bank of all amounts payable to them.

(c) Other non-residents of Canada may convert this dividend at current Canadian Foreign Exchange Control rates into such foreign currencies as are permitted by the General Regulations of the Canadian Foreign Exchange Control Board. Such conversion can only be effected through an authorized dealer, i.e., a Canadian branch of any Canadian Chartered Bank.

Shareholders residing in the United States may convert the amount of the current dividend into United States currency at the official Canadian Foreign Exchange Control rate by sending at their own risk and expense, coupons or dividend cheques properly endorsed, to the Agency of The Royal Bank of Canada, 68 William Street, New York City, which will accept them for collection through an authorized dealer, or direct to any authorized dealer of the Canadian Foreign Exchange Control Board.

Shareholders residing in countries other than the United States to whom payment is not prohibited as noted above may convert the amount of the current dividend by sending at their own risk and expense coupons, or dividend cheques properly endorsed, to The Royal Bank of Canada, King and Church Streets Branch, Toronto, Canada, or to any other authorized dealer or to The Agency of The Royal Bank of Canada, 68 William Street, New York City, U. S. A., with a request for a draft in such foreign currency as is permitted in settlement of same, but they should first satisfy themselves that this action is not prohibited by the Foreign Exchange Control Regulations of the country in which they reside.

IMPORTANT NOTICE

Holders of Bearer Share Warrants, who have not yet secured new talons with Dividend coupons numbered 61 to 80 inclusive, are hereby notified that same are available. The talon only should be detached from the Bearer Share Warrants and presented at or forwarded to the Office of the Secretary, Imperial Oil Limited, 56 Church Street, Toronto 1, Ontario, Canada, by registered mail (with return address clearly indicated) when a new supply of coupons bearing the same serial number as the Warrant from which the talon is detached, will be issued in exchange therefor.

By order of the Board,
J. A. NEW, General Secretary.

56 Church Street,
Toronto 1, Ontario.
7th November, 1944.

DIVIDEND NOTICES

AMERICAN CYANAMID COMPANY

Preference Dividend

The Board of Directors of American Cyanamid Company, on November 15, 1944, declared a quarterly dividend of 1¼% ($.125) per share on the outstanding shares of the 5% Cumulative Preference Stock payable January 2, 1945, to the holders of such stock of record at the close of business December 1, 1944.

Common Dividends

The Board of Directors of American Cyanamid Company, on November 15, 1944, declared

1. A quarterly dividend of twenty-five cents (25¢) per share on the outstanding shares of the Common Stock of the Company, payable January 2, 1945, to the holders of such stock of record at the close of business December 1, 1944;

and

2. A special dividend of seventy-five cents (75¢) per share on the outstanding shares of the Common Stock of the Company, payable December 28, 1944, to the holders of such stock of record at the close of business December 1, 1944.

W. P. STURTEVANT, *Secretary.*

American Woolen Company

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N.Y.

AT a meeting of the Board of Directors of the American Woolen Company held today, a dividend on the Preferred Stock of $4.00 a share on account of arrears was declared, payable December 13, 1944 to stockholders of record November 28, 1944. Transfer books will not close. Checks will be mailed by Guaranty Trust Co. of N. Y., dividend disbursing agent.

F. S. CONNETT,
Treasurer.

November 15, 1944.

COLUMBIAN CARBON COMPANY

Ninety-Second Consecutive Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of $1.00 per share, payable December 9, 1944, to stockholders of record November 24, 1944, at 3 P. M.

GEORGE L. BUBB
Treasurer

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, October 31, 1944.

A dividend of Twenty (20) Cents per share has been declared on the capital stock without par value of this Company, payable December 15, 1944 to shareholders of record at the close of business November 24, 1944.

C. O. BELL, Secretary.

TEXTILES
PLASTICS
CHEMICALS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK $4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable January 1, 1945 to holders of record at the close of business December 13, 1944.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1945 to holders of record at the close of business December 13, 1944.

COMMON STOCK

A dividend of 50 cents per share, payable December 31, 1944 to holders of record at the close of business December 13, 1944.

JOHN A. LARKIN,
Vice-Pres. & Sec'y.

November 14, 1944.

Magma Copper Company

Dividend No. 89

On November 15, 1944, a dividend of Twenty-five Cents (25c) per share was declared on the capital stock of Magma Copper Company, payable December 15, 1944, to stockholders of record at the close of business November 24, 1944.

H. E. DODGE, *Treasurer.*

Newmont Mining Corporation

Dividend No. 65

On November 14, 1944, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable December 15, 1944 to stockholders of record at the close of business November 24, 1944.

H. E. DODGE, *Treasurer.*

UNDERWOOD ELLIOTT FISHER COMPANY

The Board of Directors at a meeting held November 9, 1944, declared a dividend for the fourth quarter of the year 1944 of $1.00 a share on the common stock of Underwood Elliott Fisher Company, payable December 8, 1944, to stockholders of record at the close of business November 24, 1944. Transfer books will not be closed.

C. S. DUNCAN, *Treasurer.*

Haney Discusses The Election

(Continued from first page)

the other way. (Nobody knows that better than Mr. Roosevelt.)

This is why, in the latter part of his campaign, the President himself stated specifically that he believes in free private enterprise and in the profits system. Moreover, he put such men as Jesse Jones on the air to assure us as to his attitude toward business.

So I do not think that the election is unfavorable for investments in the sense of making things worse than they have been It probably shows conditions to be somewhat better than many feared.

Roosevelt had the big advantage of the vote of the Solid South to start with. In addition, he had the war background with much sentiment against changing leadership at this time. Without these two conditions he would certainly have lost. But note well that neither of these two conditions stands for any radicalism. The "Solid South" is actually conservative in tendency.

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Development Possibilities

Securities of Atlantic Coast Line RR. offers attractive possibilities for the future, the territory which it serves showing every indication of large economic development, according to a brochure on the company prepared by Allen C. Ewing & Co., Murchison Building, Wilmington, N. C. Copies of this brochure, which contains a detailed discussion of the situation, may be had upon request from Allen C. Ewing & Co.

Calendar Of New Security Flotations

OFFERINGS

BRUNSWICK-BALKE-COLLENDER CO. has filed a registration statement for 30,000 shares of common stock (no par value). The shares are issued and outstanding and are being sold by two stockholders, R. F. Bensinger and B. E. Bensinger, 15,000 shares each. Underwriters are Lehman Brothers and Goldman, Sachs & Co., each underwriting 7,500 shares for each account. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 14, 1944 at $21⅜ per share.

CENTRAL NEW YORK POWER CORP. has filed a registration statement for $48,000,000 general mortgage bonds, 3% series due 1974. The bonds will be offered for sale under the Commission's competitive bidding rule. Net proceeds with other funds of the company or other borrowings will be applied to the redemption of outstanding $45,000,000 general mortgage bonds, 3¾% series due 1962, at 104, and $5,000,000 general mortgage bonds, 3½% series due 1965, at 104½. Filed Sept. 29, 1944. Details in "Chronicle," Oct. 5, 1944.

Bonds awarded Nov. 14 to Halsey, Stuart & Co., Inc. on bid of 102.30 as 3s.

Offered Nov. 16 by Halsey, Stuart & Co. and associates at 103.

COLLINS RADIO CO. has filed a registration statement for 20,000 shares of $2.75 cumulative preferred stock, $47.50 par value, with warrants attached to purchase 20,000 shares of common stock, and 160,000 shares of common stock, par $5, of which 140,000 shares are to be publicly offered and 20,000 are to be reserved for issuance upon exercise of warrants. The warrants expire Dec. 1, 1949. Proceeds from the sale of the preferred and common stocks will be added to the general funds of the company and used to augment working capital and in connection with transition from wartime to peacetime operation and reestablishment and expansion of peacetime business. Lee Higginson Corp., Chicago, is named principal underwriter. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

Offered Nov. 15, 1944 the preferred stock at $50 per share and the common stock at $17 per share.

FRANKLIN STORES CORP. has filed a registration statement for 200,000 shares of capital stock of which 114,000 are being sold by the company and 86,000 shares by Frank Rubenstein, President and director. Company will use proceeds for general corporate purposes. Van Alstyne, Noel & Co. heads the group of underwriters, with others to be named by amendment. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 10, 1944 at $8 per share.

GLEANER HARVESTER CORP. has filed a registration statement for 177,689 shares of common stock, $2.50 par. The stock is issued and outstanding and does not represent new financing. Of the 300,000 shares of common outstanding as of Sept. 11, 1944, Commercial Credit Co. owned 177,689 or 59.22%, which shares are being sold by Commercial to underwriters. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

In an amendment filed the following investment dealers will be associated with F. Eberstadt & Co. in the public offering of the common stock, E. H. Rollins & Sons, Inc., Central Republic Co., Inc., Sutro & Co., Bankamerica Co., A. G. Edwards & Sons, Butcher & Sherrard, Otis & Co., the Ohio Co., Reynolds & Co., H. R. Baker & Co., Alfred L. Baker & Co., Cruttenden & Co., Farwell Chapman & Co., First Securities Co. of Chicago, Hirsch, Lilienthal & Co., Johnson, Lane, Space & Co., Inc., Straus Securities Corp., Auchincloss, Parker & Redpath, Bingham Walter & Hurry, Buckley Brothers, Coburn & Middlebrook, Courts & Co., Johnston, Lemon & Co., Metropolitan St. Louis Co., Pacific Co. of California, Shuman, Agnew & Co., Mason & Co., Bond & Goodwin, Inc., J. C. Bradford & Co., Francis I. DuPont & Co., Kay, Richards & Co., A. M. Kidder & Co., Clement A. Evans & Co., Inc., Ferris, Exnicios & Co., Inc., Mohawk Valley Investing Co., Inc., Murphey, Favre & Co., Nashville Securities Corp.

Offered Nov. 10 at $18 per share.

HOUSTON LIGHTING & POWER CO. has filed a registration statement for $30,000,000 first mortgage bonds due 1974. Company will offer the bonds for sale under the Commission's competitive bidding rule with the successful bidder naming the interest rate. Offering price to the public will be filed by amendment. Net proceeds will be used to redeem at 105, together with accrued interest, the outstanding $27,500,000 first mortgage bonds 3½% series due 1966. Any balance of net proceeds will be added to working capital. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

Bonds awarded Nov. 13 to Dillon, Read & Co. and associates on bid of 101.76 as 2⅞s.

Offered Nov. 15, 1944 by Dillon, Read & Co. and associates at 102½ and interest.

KEYES FIBRE CO. has filed a registration statement for $1,800,000 first mortgage sinking fund 4% bonds, series A, due Oct. 1, 1959. Proceds will be used to provide funds for the redemption of $1,137,500 first mortgage sinking fund 4½% bonds and for additions to manufacturing facilities of the company. Coffin & Burr, Inc., is named principal underwriter. Filed Oct. 23, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 10, 1944 at 102½ and interest.

PITTSBURGH COKE & CHEMICAL CO. has filed a registration for $3,400,000 first mortgage bonds, 3½% series, due Nov. 1, 1964. Net proceeds together with such additional funds as may be necessary will be applied to the redemption of $3,455,000 first mortgage bonds, 4½% series A, due March 1, 1952, at 103 and accrued interest. Hemphill, Noyes & Co. head the group of underwriters, with names of others to be filed by amendment. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 9 at 99½ and interest.

SHAMROCK OIL & GAS CORP. has filed a registration statement for 101,593 shares of common stock (par $1). The shares are issued and outstanding. Kidder, Peabody & Co. is named principal underwriter. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 8 at $6.75 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, NOV. 18

ADMIRAL CORP. has filed a registration statement for 216,000 shares of capital stock, par $1. Of the total 150,000 shares are being sold by the company and 66,000 shares by certain stockholders. Proceeds to company will be used for additional working capital. Dempsey & Co., Chicago, is named principal underwriter. Filed Oct. 30, 1944. Details in "Chronicle," Nov. 2, 1944.

WEDNESDAY, NOV. 29

CAPITAL TRANSIT CO. has filed a registration statement for $12,500,000 first and refunding mortgage bonds, series A, 4% due Dec. 1, 1964.

Address—36th Street and M. Streets, N. W., Washington, D. C.

Business—Street railway and motor bus transportation in the District of Columbia and adjacent areas.

Proceeds—The net proceeds from the sale of the bonds and from a $2,500,000 bank loan with treasury cash will be used for refunding purposes and to make payments on account of equipment purchases, etc.

Underwriting—The bonds are to be offered for sale at competitive bidding. Names of the underwriters will be filed by amendment.

Offering—Price to the public will be filed by amendment.

Registration Statement No. 2-5531. Form S-1. (11-10-44).

MOORE WINDSOR CORP. has filed a registration statement for 100,000 shares of 12½ cent cumulative dividend and participating preferred stock, par $1 per share.

Address—347 Madison Avenue, New York City.

Business—Commercial finance business, buying accounts and notes receivable, inventories, warehouse receipts, etc. of small and medium size manufacturers, finance companies, wholesalers and distributors.

Proceeds—The net proceeds of approximately $200,000 from the sale of the preferred stock will be used for working capital and expansion of the company's business.

Underwriting—W. H. Cobb & Co., Inc., New York, is named principal underwriter.

Offering—The offering price to the public is $2.50 per share.

Registration Statement No. 2-5532. Form S-1. (11-10-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AERONCA AIRCRAFT CORP. has filed a registration statement for 75,000 shares of 55-cent cumulative convertible preferred stock (par $1), and 33,600 shares of common (par $1). Of the common stock to be offered, 25,000 shares are for account of the company and 8,600 shares for the account of a stockholder. Proceeds will be used to increase company's working capital. The 8,600 shares being sold by a stockholder are owned by Carl I. Friedlander who will receive the proceeds. F. Eberstadt & Co., New York, is principal underwriter. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund notes, due 1954. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

CURLEE CLOTHING CO. has filed a registration statement for 52,290 shares of class A common and 22,410 shares of class B common. The shares are issued and outstanding and do not represent new financing by the company. Stifel, Nicolaus & Co., Inc., St. Louis, is named principal underwriter. Filed Oct. 27, 1944. Details in "Chronicle," Nov. 2, 1944.

THE EUGENE FREEMAN CO. has filed a registration statement for $300,000 trade acceptances. Proceeds will be applied to organization expenses, acquisition of motor trucks, real estate, buildings, machinery, etc. Filed Sept. 13, 1944. Details in "Chronicle," Sept. 21, 1944.

Request filed Nov. 13 to withdraw registration statement.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FEDERAL MACHINE & WELDER CO. has filed a registration statement for $2,000,000 15-year 5% sinking fund debentures due Sept. 1, 1959. Proceeds for working capital. Central Republic Co., Inc. and Peltason, Tenenbaum Co. are principal underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GENERAL TIME INSTRUMENTS CORP. has filed a registration statement for 38,380 shares of 4¼% cumulative preferred stock (par $100). Corporation in offering to holders of outstanding 38,380 shares of 6% preferred stock the right to exchange such shares on basis of one share of 6% preferred for one share of new 4¼% preferred, plus $7, together with a cash dividend adjustment on the 6% preferred to date fixed for exchange. If all the 6% stock is not exchanged the corporation will retire as of Jan. 1, 1945, or as soon thereafter as possible between 4,000 and 5,000 shares of the unexchanged 6% preferred with funds it has available. Shares of new preferred not issued in exchange will be sold to underwriters and proceeds with other funds of the company used to retire balance of outstanding 6% preferred stock at the redemption price of $110 per share. Underwriters are Kidder, Peabody & Co., W. E. Hutton & Co., Lee Higginson Corp., Stone & Webster and Blodget, Inc., Glore, Forgan & Co., and Hornblower & Weeks. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 24, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Underwriter is P. W. Brooks & Co., Inc., New York Proceeds will be applied to the reduction of bank loans. Price range 101 for 1945 maturities to 99.5 for 1960-64 maturities. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

HARRIS MANUFACTURING CO. has filed a registration statement for 60,000 shares of 7% cumulative convertible class A stock (par $5) and 120,000 shares of class B (par $2) reserved for conversion. The 7% cumulative convertible class A stock will be offered at $5 per share. Proceeds will be used for working capital. Nelson Douglass & Co. heads the list of underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 19, 1944.

JESSOP STEEL CO. has filed a registration statement for $1,000,000 first mortgage 5% sinking fund bonds due Nov. 1, 1954. Proceeds will be used for general corporate purposes. Paul H. Davis & Co., and Dempsey & Co., are named underwriters. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

MAJESTIC RADIO & TELEVISION CORP. has filed a registration statement for 297,500 shares of common stock (par one cent). Of the total 200,000 shares will be sold by the company, 95,000 shares will be issued to stockholders upon exercise of options and 2,500 shares will be sold by another stockholder. Proceeds from sale by Majestic will be used not in excess of $170,000 for the purpose of calling at $10 per share all of the outstanding 26,016 shares (no par) preferred stock. Holders of more than 9,000 shares of preferred, including British Type Investors, Inc., and Empire American Securities Corp. have stated that such stock will be converted into common stock and not presented for redemption, and company's statement said it is probable that other holders of preferred will take similar action. Balance will be used to record, manufacture and sell phonographic records and working capital. Proceeds to Majestic on sale of the 95,000 shares upon exercise of options amounting to $112,499 will be added to working capital. Kobbe, Gearhart & Co., Inc. is principal underwriter. Filed Oct. 12, 1944. Details in "Chronicle," Oct. 19, 1944.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

S AND W FINE FOODS, INC. has filed a registration statement for 75,000 shares of common stock (par $10). Proceeds for working capital which may be used for plant improvements and office and warehouse expansion. Blyth & Co., Inc. are underwriters. Price to public $16 per share. Filed Sept. 28, 1944.

TIDE WATER POWER CO. has filed a registration statement for $4,500,000 first mortgage bonds 3½% series due Nov. 1, 1974, and 10,000 shares of 5% preferred stock, par $100. Bonds and preferred stock are to be offered for sale at competitive bidding. Net proceeds estimated to be approximately $5,605,000, together with such cash from the company's general funds as may be required, will be used to redeem $6,065,500 first mortgage 5% series A bonds due Feb. 1, 1979. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

(This list is incomplete this week)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2134)

tempts were successful. At this point the danger arises of falling into the pit of unanimity. For the possibility of a reaction has by far the greater following. Under ordinary conditions the fact that many people expect a sell-off would be almost sufficient reason for this column to keep long positions. In fact there is nothing certain about this reaction in spite of the indications given by the market. However, it would be ostrich-like to refuse to recognize them.

* * *

In the past when I felt this way I found it wisest to bail out. And once having reached solid ground, look around and see what was what. I think the time to do this has arrived. There are too many stocks that show offerings ahead, and not enough desire seems to be around to take these offerings.

* * *

Specifically advice to readers about their stocks is as follows: Allied Mills was bought at 28. Current price about 31; half sold at 32½. Suggest you get out of the other half at market. Average profit about 3½ points.

* * *

Bendix, bought at 38, half sold at 45½, is now about 46½, back to the high of last August. Sell remainder at market. Average profit about 8 points.

* * *

Crown Zellerback was bought at 18. Stock is now about 20½. Getting out now will give you about 2 points profit. Take it.

* * *

Lockheed was bought at 17. Stock is now about 23. This gives you about 6 points profit. Take it.

* * *

U. S. Steel is one of the bad actors in our list. Since we bought it stock has seldom been in the black more than two points or so, and never long enough to make a weekly trade possible. Steel was bought at 58½. At this writing it is 57. I see no point in holding on to it much longer. So I advise selling it at the market. Assuming the 57 figure is still in effect by the time you read this, your loss will be 1½ points. But against the profits in the others the loss is unimportant.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

Du Mont Laboratories "A"; Merchants Distilling; General Instrument; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Cons. Cement "A"; Riley Stoker; Alabama Mills, Inc.; and H. & B. American Machine preferred.

J. R. Dillon Retires

John R. Dillon retired from partnership in Hayden, Stone & Co., New York City, on Nov. 3.

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"Our Reporter On Governments"

(Continued from page 2142)

of the 2% and 2½% bonds directly in this drive than they did in the Fifth War Loan, when the amount of their subscriptions was cumulative with, and contingent upon, the amount purchased during the Fourth War Loan. . . .

This should result in the commercial banks with savings deposits having a much larger amount of their potential demand for these securities satisfied at the issue price, although this does not mean that these institutions will not be in the market for bonds after the drive is over. . . .

EXCHANGE OFFER ADVANTAGEOUS

Savings deposits have been increasing sharply in the last three months, and in order to fully cover these deposits the commercial banks with savings accounts will no doubt be interested in buying more of the new issues, particularly the 2% bonds, when they become available on Dec. 18. . . . Nevertheless, these institutions probably will not be as important as they were in the past, in pushing the drive issues to premiums when the War Loan is ended, because of the larger participation that they get directly in the Sixth War Loan. . . . On the other hand, the strictly commercial banks, without savings deposits, which institutions are completely shut out from direct participation in the drive, will do the bulk of the indirect supporting of the market as they have done in the past, and likewise they are expected to be substantial purchasers of the new 1¼% notes and the 2% bonds when they become available at the end of the Sixth War Loan. . . . It is indicated that these institutions are ready to make purchases of selected outstanding issues as they are available for sale, with particular interest being evidenced in the 2% taxable issues. . . . The exchange offer for the 4% partially exempt bonds, which have been called for payment on Dec. 15, consisting of the 1¼% notes and the 2% bonds to the commercial bank holders of this issue, gives these institutions an opportunity to obtain a position in these securities through the purchase of the called 4s. and from present indications many of these institutions are taking advantage of this situation. . . .

The called 4% bonds are presently quoted at minus 6/32 from a no-yield basis, which means that the securities that will be obtained in place of the called issues should have a premium of at least 6/32 when they are "traded in" at the end of the Sixth War Loan. . . .

It is believed in the financial district that the greater part of the called 4s will be turned in for the new 2% bonds, since more institutions appeared to be interested in them than in the 1¼% notes. Because the commercial banks with savings accounts will be able to buy larger amounts of the 2% bonds directly during the drive and the fact that through the purchase of the called 4s these institutions can also obtain these bonds, and with "free riding" cut down, the market for this security at the end of the Sixth War Loan should be much more orderly than it was at the culmination of the previous drive. . . .

There is presently considerable interest in the outstanding 2% due 6-15-52/54 at prices of about 100 14/32. . . . The point, however, has been raised among dealers as to whether or not these 2s offered in the Fifth War Loan Drive have not about reached their top level until the bond drive has been concluded. . . . It was pointed out that the savings banks can subscribe to the new 2% bonds right up to the last day of the drive, Dec. 16, and that these institutions may be sellers of the 2% bonds due 6-15-52/54 at a premium, with the proceeds from the sale of these obligations used to buy an equivalent amount of the 2% due 12-15-52/54 at 100. . . . The six months longer maturity is not considered to be important enough to stand in the way of the sale of the shorter 2% issue. . . .

It was reported that certain institutions using the "roll-over" idea in the 2% issues have been filling in their maturity schedules with the outstanding 2% tax bonds, but the completion of this plan will not take place until the 2% due 12-15-52/54 become available in the latter part of December. . . .

"ROLL-OVER" PRACTICE

It was pointed out that the "roll-over" idea involves the selling of a 2% issue when it has about three years to run, at levels of about 102, and the replacing of it with other 2% bonds, of note maturity length, which is four and one-half to five years to the optional date. . . . The taxable 2% due 3-15-48/50 leveled out at 102, when they reached a note length of four and one-half to five years, and that level will be maintained until they have about three years to go, when they begin to adjust their yield to the shorter term notes, and they will begin to run off their premium. . . . The advance in price in the other 2% bonds up to 102 becomes automatic as the shortening of the maturity results in advancing prices until the top level is reached. . . . The 2%'s due 1949/51 will all reach a price level of 102 during the next 12 months in adjusting their yield to that of the shorter term notes. . . . After reaching the price level of about 102, it will be maintained for about two years. . . . By selling these issues at 102, when they still have about three years to run, and replacing them with other 2% bonds due in four and one-half to five years, based on the option date, the "roll-over" operation is carried out. . . . Profits realized from this procedure can be used to write down the cost of the newly acquired 2% bonds. . . . There is no change in the income rate, since the operation is centered around the 2% obligations. . . . The life insurance companies have again been sellers of municipal obligations, and many of these institutions have replaced only a part of their corporate bonds that have been recently refunded, which indicates that they will be in a position to play their usual important role in the Sixth War Loan. . . It is indicated that these companies will again be interested largely in the long-term 2½% bonds, and under the deferred subscription plan, which is again in operation, they have until Feb. 28, 1945, to make final payments for the securities subscribed for during the drive. . . . It was reported that because of the delayed payment for issues committed to during the drive these institutions have not been sellers of certain Government issues that they intend to liquidate. . . .

It seems as though the insurance companies, with experience gained during the previous War Loans, have decided to pick their spots in disposing of these issues, and it may be that the heavy investment demand that appears around the first of the year will give them an opportunity to take advantage of market strength for such operations. . . .

MARKET FAVORED

It is indicated in the financial district that the lack of selling pressure at this time from these institutions has had a very beneficial effect on the Government bond market. . . . By spreading the selling out over a longer period of time better prices no doubt will be obtained for the securities that are to be switched, to make room for those acquired during the coming War Loan. . . .

A check recently made with the smaller out-of-town commercial banks, which have substantial savings accounts, indicates that these institutions are very much interested in the 2½% due 1966/71, and will make fairly large commitments in these bonds. . . .

It was pointed out that these obligations can be acquired only during the drive, and they feel that a position in these bonds, giving them a 2½% return, fits well into their situation. . . .

With a well-balanced maturity schedule these banks, in order not to be too heavy in the long-term issues, have indicated that they will dispose of some of their holdings of the 2½% due 1967/72 after the drive is over, since these bonds generally advance 5/32 to 6/32 with the lifting of the selling pressure.

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The Business Man's Bookshelf

Effect of Federal Taxes on Growing Enterprises—Study No. 2, The Polaroid Corporation—J. Keith Butters and John Lintner—Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Massachusetts—paper—50c.

R. J. Crampton Opens

BEREA, OHIO—Robert J. Crampton is engaging in an investment business from offices at 345 Runn Street.

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Volume 160 Number 4334 New York, N. Y., Thursday, November 16, 1944 Price 60 Cents a Copy

The Financial Situation

The so-called ratio of the total reserves of the Federal Reserve Banks to their combined note and deposit liabilities has been but little more than 50% for some time past, and reports now persist that Congress will in the relatively near future be requested to ease the reserve requirements of the Reserve Banks. At present these institutions are required by law to hold reserves in the amount of 40% of their note liabilities plus 35% of their deposits. Alterations in the Federal Reserve Act which would make it legal for the Reserve Banks to operate without penalty on some lower ratio of reserves to note and deposit liabilities are now ominously spoken of as "a mere technicality." Approximately the same effect could be obtained without legislation through the exercise by the Board of Governors of the Federal Reserve System of its authority to reduce reserves required of member banks, but, according to word emanating from Washington, it is thought better to permit (or should we say require?) the Reserve Banks themselves to bear the brunt in the first instance at least of further bank absorption of government obligations. The reasons for this preference, if such it be, have not been vouchsafed to the general public.

Not to Be Neglected

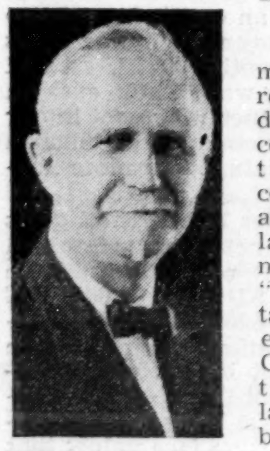
In any event, it is the situation that has thus developed rather than techniques suggested for meeting it which should give the American public pause. It is true, of course, that there is, technically speaking, room for very substantial further expansion of bank credit—that is to say further purchase of government obligations—without violating rule of thumb ratios considered satisfactory in years past. It is further true that the "tightness" of the existing situation,

(Continued on page 2164)

Forecasting Election Results

Roger W. Babson Discusses Next Four Years

BABSON PARK, MASS.—Notwithstanding the Nov. 7 election results, I now make some predictions as to what will happen at Washington during the next four years. These forecasts assume the Republicans and Conservative Democrats will combine to control Congress.



Roger W. Babson

Taxes Will Be Lower

Taxes will materially be reduced. A reduction in excess profits taxes will come shortly after the collapse of Germany. Most "nuisance" taxes will be eliminated. Corporation taxes will later be put back nearly to pre-war figures. Personal income taxes should be reduced; but these will be the last to be lowered.

There will be no attempt to balance the budget. This is something to aim for, but it will be done slowly. Too radical cuts could cause **deflation** which, at this time, would be worse than **inflation.** The United States will, however, diligently work for a better financial set-up, for which we all should be thankful.

Coming Foreign Policies

Great Britain, Russia and the United States will combine and hold the peace so long as they remain friends. (China may or may not be admitted to the inner councils.) How long these three great nations will remain friends, is anybody's guess. Other nations will be admitted to some sort of a World Organization; but they will not have much to say.

Congress will pass legislation so that our navy and air force can act—in emergencies—without the formal declaration of war. But this is a feeble step toward permanent peace. This can be secured only as all nations are willing to give up certain rights as to tariffs, immigration restrictions, natural resource monopolies, etc. I see no sign that the incoming Administration at Washington will do this.

Aid to Farmers

Both farmers and union labor have had their honeymoons. Both will get less consideration during the next four years. We may, therefore, expect lower farm prices and only a few—if any—wage raises. Certainly the **total income** of both groups will be much less.

The hourly rate for wages may not be cut; but "overtime" will be out the window. We will go back to the 40-hour week. I strongly advise both farmers and wage-

(Continued on page 2170)

FHA Insured Mortgage Financing In Reconversion

By EARLE S. DRAPER★
Deputy Commissioner, Federal Housing Administration

Government Housing Official States That the FHA Is on the Threshold of Renewing Its Peace Time Program of Home Mortgage Insurance. Anticipates That at End of European War Home Building Limitations Will Be Relaxed but Warns Against Extending Mortgage Credit on Basis of Borrower's Present Earnings. Urges More Assistance in the Housing of Lower, Middle Income Workers, and Sees Possibility of Extending the Financing of Large-Scale Rental Projects.

E. S. Draper

Home building and its financing today is at the threshold of a reconversion period which is in reverse of that of four years ago when this Nation went from a peacetime to wartime footing. The transitional stage of four years ago began with the construction of defense housing to meet the need of the emergency armament-expansion program. In 1941 the financing of war housing on an emergency basis was getting underway. By 1942 practically all residential construction not vital to the war production program had stopped and the financing of housing for essential war workers was on a wartime basis.

In the conversion period which we now face the process will be a change-over from production for war to one of peacetime pursuits. In doing so the previous four-year cycle is reversed. Transitions of any kind are seldom smooth, are filled with compromises, and are usually hedged in by many **ifs** and **ands.** How the present transition is to be made is of deep concern to builders and to mortgage lending institutions, particularly as it may affect FHA-insured mortgage financing.

Conditions surrounding the construction and financing of war housing imposed unusual, abnormal mortgage risks. Restrictions and limitations essential under a war economy were contrary to normal peacetime real estate practice. A new set of conditions had to be met. To meet these new conditions Congress enacted Title VI of the National Housing Act to permit the Federal Housing Administration to accept certain unusual mortgage risks in its insurance operations.

To safeguard FHA's funds protecting mortgages insured under peacetime conditions, Title VI legislation established a separate War Housing Insurance Fund. Title VI legislation also provided favorable terms under which mortgage insurance could be obtained in order to encourage builders to construct war housing and mortgage lenders to finance it. FHA's original insurance authority under Title VI, increased from time to time by Congress, ultimately reached $1,700,000,000, an amount which it is expected will be completely used before Jan. 1, 1945.

Home building during the emergency war period has been subject to three important limitations. These limitations may be broadly classed as (1) **Where** housing could be built under the allocation program of the National Housing Agency; (2) **How** housing

(Continued on page 2170)

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*A summary of an address by Mr. Draper before the Mortgage Bankers Association, Chicago, October 18, 1944.

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*These items appeared in our issue of June 26 on page indicated.

"Individual Taxes"

By HARLEY L. LUTZ*
Professor of Finance, Princeton University
Chief Economist, Tax Foundation, and Chief of Staff,
Committee on Post-War Tax Policy

Tax Expert Criticizes Tax Programs Which Would Concentrate Bulk Of The Taxes On Individual Incomes, On The Grounds (1) That It Does Not Provide For Revenue Stability, (2) That It Does not Reach Adequately Certain Income Groups Such As Farmers, Small Business Men And The Professional Classes, And (3) That The Net Income Concept As Applied To Individuals, "Is Absolutely Phoney." Holds Net Income Is Not A Personal But A Business Concept. Regards Progressive Taxation As The Crowning Impropriety Of The Individual Income Tax. Advocates A Sales Tax.

Dr. Harley Lutz

The Committee on Economic Development, in its recently published Post-war Tax Plan, makes a large point of the fact that all individuals pay taxes, and that all taxes are borne by individuals, as if it was a new discovery, when, as a matter of fact, that is something that we have all been aware of for a very long time. It is not news. In the second place, I think we can all agree that all of our taxes are paid out of income, present or prospective. That is true even in the case of estate taxes, which, under present rates, are heavy enough so that the administrator may be obliged to liquidate a large part of the corpus of the estate in order to pay the taxes, unless he can wangle enough time out of the Bureau so that he might settle a good part of them out of the income. But the liquidation of the corpus of the estate merely means that the administrator sells certain blocks of securities, or certain other kinds of property, to somebody else who happens to have cash or credit with which to buy them; and so even the liquidation of the capital of an estate, under our atrocious estate taxes at the present time, is an application of the principle I have just mentioned; namely, that taxes are paid out of present or prospective income; because the fellow who buys a block of securities which are liquidated by the administrator of an estate uses cash which he has on hand, which, I assume, represents accumulations out of

(Continued on page 2168)

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*A lecture delivered by Prof. Lutz before the New York Institute of Finance, New York City, Sept. 11, 1944, which did not appear in an earlier issue because of the shortage of paper.

Post-War Foreign Trade

"The business men of the United Nations and the nations associated with them have done much to assure the victory of our arms. Now, without in any way slowing the vast movement of supplies to all fighting fronts, business leaders are turning their thoughts to the problems of re-establishing vigorous post-war trade and business among nations. There is a growing realization that post-war expansion of international commerce is essential to the economic welfare and to the security of every country.

"World business, after the war, must be expanded on a basis of non-discrimination and of freedom from excessive barriers and restraints. The necessary expansion can be achieved only as nations and their citizens work together cooperatively toward understanding each others' problems and taking effective and mutually advantageous measures for solving those problems."—*Franklin D. Roosevelt.*

We wonder what working "together cooperatively" and the rest mean. We hope it does not mean permitting ourselves to be "played for a sucker."

In contrast to such vague concepts we suggest that the rank and file be led to understand the essentials of foreign trade as set forth by Robert Gaylord, President of the NAM:

"First, if we are to export goods, we must receive payment for them in raw materials and in manufactured goods of other nations. Second, if we are to export capital, we must be prepared to do so on a low term basis and with the knowledge that it can be returned to us only in the shape of goods and services rendered by those who borrow. Third, that this can be done without lowering or adversely affecting the standards of our own country."

Churchill Looks for New 'Big Three' Conference, Expresses 'Great Joy' at President's Re-Election

Indications of another conference of the "Big Three"—the United States, Great Britain and Russia—were contained in an address by Prime Minister Winston Churchill at the luncheon of the Lord Mayor of London on Nov. 9, in which, in referring to his talk at the luncheon last year, he said:

"When I was here last year I could not tell you that I was about to start for a meeting of three great allies—the heads of three great governments — Teheran. There it was that the plans were made and agreements and decisions taken which were executed with so much precision and with a degree of combination to which Marshal Stalin referred in his wise and weighty speech of a few days ago." "Now," continued Mr. Churchill, "I don't mind saying that it was high time we had another triple conference and that such a meeting might easily bridge the sufferings of mankind and the fearful process of destruction which is ravaging the earth. Prospects of such a meeting have been vastly improved by the results of the presidential elections in the Untied States, and for which we waited so breathlessly on Tuesday last."

In part, in his address the Prime Minister, according to United Press accounts from London, said:

"I thought, looking back on my past records, that when I was here last year I appealed to the British and American public to be very careful that election year did not in any way ruffle the goodwill that exists throughout the English-speaking world, and which was of so great aid to our armies. It is certainly gratifying that it should have been carried through without any disturbing of the ancient, moth-eaten controversies which are to be found in history books between Great Britain and her American kinsmen, now brothers-in-arms.

"Now that event is over and the results have been declared, there are a few things I should like to say about the American presidential election. Let us, first of all, express our gratitude to both great parties for the manner in which the interests of alliance and prosecution of the war have been held high above the dust of partisanship. America has given an example to the world of how democratic institutions can be worked with the utmost vigor and freedom without injury to the permanent interests of State. We know that we in Britain have in the Republican party of the United States a vast number of friends and well-wishers, and the upholding of Anglo-American friendship is cherished by tens of millions in both great parties over there.

"I am sure that everybody will be moved by the sportsmanlike manner in which Governor Dewey in the moment of his defeat offered his congratulations to his opponent and pledged his party to work wholeheartedly for the world cause. What a model this would be to those States where poltiical differences are not solvable by word and vote and where the question of who is to be in and who is to be out may be one of life and death, to be settled by violence, and where there may be but a short gap between being a ruler and being a victim. . . .

"However we may regret it, it seems almost certain that this old island will have its first general election in 1945, and I am sure that it will be conducted by all concerned with all liveliness and robust vigor, which will gratify the political emotions of our public without destroying that marvelous underlying unity and sense of brotherhood which has long existed in this country, and which has reached its highest degree among the perils from which we have been delivered.

"I said a few moments ago that we have strictly avoided any expression of opinion about party issues in the United States, but, at this moment now, I feel free to express on personal grounds the very great joy it gives me to know that my war-time and intimate cooperation with President Roosevelt will be continued in the months that lie immediately before us. These are months profoundly interwoven with the future of both our countries and also, we trust, the future association of our two countries will be interwoven with the peace and progress of the whole world."

In his concluding remarks the Prime Minister said:

"Now we stand on the threshold of Germany, and it will take the full exertions of the three great Powers and every scrap of strength they can give to crush down the desperate resistance which we must expect from this military antagonist, at last beaten back to his own lair.

"Any more than on former occasions I cannot offer you an easy future on the continent of Europe. It is always in the last lap of the race that great efforts must be forthcoming. It is no moment now to slacken. Hard as it may seem after five long years of war, every man and woman in this island must show what they are capable of doing, and I am sure our soldiers at the front will not be found incapable of that extra effort which is necessary to crown all that has been attained and, above all, bring this frightful slaughter and devastation in Europe to an end within the shortest possible period of time.

"I can assure you that that, at any rate, is the dominant thought in His Majesty's Government. Although it is our duty to work hard—and we have worked hard—to produce large schemes of social improvement and advance, although it is our duty to make preparations for the change-over from war to peace, or from war in Europe to war in Japan in far distant Asia, although we are bound to work as hard as we can, nothing shall stand in the way of the prosecution of the war to an ultimate conclusion. If we are to fail in that we should not be worthy either of your confidence or kindness which has led you to drink our health this afternoon."

France To Pay Back Gold To Belgium

An agreement between the French Government and the Belgian Central Bank providing for the payment back to the Belgian bank of gold valued at 230,000,000 francs that the Belgian bank had deposited with the Bank of France before the war, and had fallen into German hands has just been signed, according to a wireless dispatch from Paris to the New York "Times" on Nov. 9, which added:

The agreement brings to a close an issue that has been the subject of much speculation and legal activity in Washington and London. The story goes back to early 1940, when Belgium deposited 230,000,000 francs in gold with the Bank of France for safekeeping.

After the fall of France the gold was shipped to Dakar, whence it was said to have been turned over to the Germans by order of Marshal Henri-Philippe Petain. The Bank of Belgium then attached the funds of the Bank of France frozen in this country and brought suit against the latter for recovery of the gold.

Because of the breaking off of relations between the American and Vichy Governments it was held that the claim could not be satisfied until a new French Govment that could act for the Bank of France was recognized.

On Oct. 11 the Brussels radio said the situation had been clarified after negotiations in which Bank of France representatives denied that any of the gold had been turned over the Germans.

The State Of Trade

Now that the election is behind us and precedents and traditions have been broken with the reelection of Franklin D. Roosevelt for a fourth term, the time has come to look at things in their proper perspective. It is time to descend from the ivory tower constructed for our imaginations and once again plant our feet upon solid ground.

Some there are who would have us believe that idealism for the most part motivated the majority of American voters in the course they pursued on Nov. 7. However, stripped of all its emotional trappings, the cold logic of it all was mainly economic. It was a question of jobs, full employment if you will, to the tune of 60,000,000 jobs in post-war industry. That was promised labor; that's what labor expects.

How is this gigantic feat to be accomplished? What steps have been taken by Government for the speedy reconversion of industry to insure fulfillment of this promise? It surely must be known by Government that a quick changeover to peace-time production is an essential toward this end. Many workers today are living in a dream world enjoying overflowing pay envelopes induced by war conditions without thought of tomorrow. If the automobile industry is a criterion for all industry, these unfortunate people are in for a rude awakening.

Following a reconversion seminar held in Detroit in the closing days of September, last, newspaper men were given to understand that not a single workable plan for restoration of this vital industry, which provides direct employment for 7,000,000 people and millions of jobs in associated lines, has yet been put into effect by the Washington Administration.

Leaders in the automotive field contend that, if Germany surrendered tomorrow, six to nine months' time would be required to reconvert plants no longer needed for war work and to produce cars at 50% of the 1941 capacity. However, had the Government removed rigid controls still in force and given the industry a free hand to plan for reconversion, it is maintained this production goal could be achieved in three to four months.

The situation adds up to this: Should an early victory be scored in Europe, it would produce an unemployment condition running from three to five months, which could have been avoided if the Government had not fallen asleep at the switch. Caught in the undertow of this lack of planning by Washington will be those 7,000,000 workers dependent upon a thriving automotive industry for their livelihood, not to mention the workers in other major industries who will suffer a like fate. Can the 60,000,000-job goal be reached by this process? The answer calls for no great mental effort.

Of all the industries engaged in war work, the automotive industry is about the only one almost wholly converted to war production on a scale true probably of no other. It holds the hopes of post-war jobs for millions, and management recognizes this fact and what it means with respect to the nation's economy.

The promise of 60,000,000 jobs in the post-war and the prediction of Vice-President Henry Wallace that the United States might be forced into another PWA "before industry is fully reconverted to peace" stands out in bold contrast and gives added weight to the industry's fears with respect to tardy reconversion.

The Government-owned plant at Willow Run operated by Ford in the construction of B-24 Liberator bombers serves to indicate the trend in war employment. At this plant alone, employment declined from a peak of 42,331 last June to 26,282. It is understood that Ford would like to acquire this plant for peace-time construction of tractors and other farm machinery. This would provide many with jobs, but whether the Government has plans for its disposal as soon as the war ends is not known.

Automotive officials with first hand knowledge insist that War Mobilizer James F. Byrnes's plan to cut-back war production by 40% after V-E day will throw thousands out of jobs without creating new ones. It will, they explain, release manpower and materials without benefit of enabling manufacturers to produce a single car, since the unused machinery is not adaptable to car making. This will result in a cluttering up of valuable space in these plants with dead and unproductive equipment.

George Romney, managing director of the Automotive Council for War Production, contended that cut-backs in war orders and overproduction of raw materials months ago made it possible for the Government to authorize preparatory conversion work without interfering with war production. No action was taken, presumably because it might from the standpoint of the armed services interfere with the war effort.

Manufacturers have within recent weeks been permitted to order new machine tools, utilize 1% of personnel for post-war planning, use certain plant space for making replacement parts, and do experimental work costing no more than $5,000 a month. It is Mr. Romney's contention, however, that these steps are "piecemeal and largely ineffective" actions which convey to the public a false impression that a good start on reconversion has been made.

The essential step for Government to take in realizing in part its goal of 60,000,000 jobs in the post-war period is to approach the matter realistically by drawing up plans for an early reconversion of the automotive industry.

To assist in accomplishing this program, automotive officials suggest that factories be cleared of surplus materials and equipment, that a reasonable number of engineers and designers be shifted to this work, and provision made for necessary machine tools.

If this program is followed through and an end is brought to conflicting governmental agencies in the automotive field, it will serve in a big way to help cushion the shock of unemployment in our changing economy and will hasten the nation's return to a more normal life.

United States Debt—Total gross public debt, including guaranteed obligations, at present is a little less than $212,000,000,000, of which about $209,000,000,000 represents obligations subject to the statutory debt limit of **$260,000,000,000**. According to the Treasury Department, the **$260,000,000,000** limit is on face value; that is, the amount the Government would have to repay if all of us held our securities until maturity date. Hence, in terms of face value, the $209,000,000,000 debt becomes $218,000,000,000, or $42,000,000,000 short of the limit set by Congress.

Individual Income Payments Fall—The Commerce Department's index of total income payments to individuals dipped to 232.1 in September after reaching its all-time peak of 233.7 in August. The above figures are adjusted to allow for seasonal changes. Actual income payments increased from **$12,605,000,000** in

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Bankers Endorse Program Of ABA Small Business Credit Commission

Two hundred bankers, representing the State Banking Associations in New York, New Jersey, Pennsylvania, and Delaware, meeting at the Waldorf-Astoria Hotel in New York on Nov. 9, endorsed the program of the Post-War Small Business Credit Commission of the American Bankers Association for providing adequate credit to small business in the post-war period. The Commission's program was outlined by Robert M. Hanes, Chairman of the group and a former ABA President, who is also President of the Wachovia National Bank, Winston-Salem, N. C. The meeting was the final one in a series of nine held throughout the country. Previous regional conferences have been held at Boston, Richmond, Virginia, Cincinnati, Ohio, Chicago, San Francisco, Denver, Dallas, and New Orleans.

Following the general session, bankers of the Second (New York) Federal Reserve district assembled at a special meeting called by Winthrop W. Aldrich, regional Chairman of the ABA Post-War Small Business Credit Commission and Chairman of the Board of the Chase National Bank of New York, to make plans for carrying the ABA program into the various communities of the district.

At this meeting, 50 bankers from New York, New Jersey, and Connecticut, all members of the Second Federal Reserve District Committee on Post-War Small Business Credit, discussed plans to provide ample funds for small business, utilizing a three-phase program which contemplates (1) making risk capital available through the action of individual banks, correspondent banks, and credit groups; (2) studying and developing the small business credit "market," and (3) merchandising bank credit and services through planned programs of advertising and public relations.

In the general session, Mr. Hanes declared that the needs of small business are now receiving special attention from banking. New types of loan service, particularly designed to meet the requirements of small concerns, are being developed and explained to businessmen and bankers alike, he said. Term credit, to be repaid over a period of years, will be available when needed. Loans on inventory, loans on accounts receivable, field warehouse loans, and loans for the purchase of new equipment and new stocks of goods will be available to any small manufacturer, retailer, wholesaler, or farmer who can establish that he is "competent and of good character and sound judgment."

It was stated by Mr. Hanes that "many banks either have created or are planning to create special small business loan departments." "This activity," he said, "is in line with banking's credit support to small concerns in the past. A survey made in 1940, the last full year of peace-time business, revealed that new commercial loans made by the banks of the country were for an average amount of $1,700."

Post-war bank credit policy, according to Mr. Hanes, is directed toward the competent man. "If a man has character and capacity but is short on collateral, let's stick by him," Mr. Hanes told the bankers. "It was character and capacity that built this country, in times when collateral and capital were short. The very same qualities will make America stronger in the post-war period." He added:

"Individual banks are both willing and able to supply much of the credit needed in their own communities. But in cases where, for any reason, local banks are not in position to extend the full amount of credit desired, they are being urged to seek the cooperation of their correspondent banks in nearby cities."

A supplementary or third source of credit is being created by many banks in the country, Mr. Hanes stated, through the formation of voluntary-participation, regional credit groups, organized and operated by banks within the region they serve. The first group of this type was created by the New York City banks for $100,000,000 in September. The bank credit group of New York City was organized "as an assurance of the availability of credit within the banking system itself for every strong, constructive purpose." A similar group for $10,000,000 has been organized in Philadelphia and a State-wide bank credit group is now forming in Connecticut.

The New York State banking delegation, composed of officers of the regional groups of the New York State Bankers Association, together with chairmen of county associations and local clearing houses, was headed by C. George Niebank, the Association's President and President of the Bank of Jamestown. Frank D. Abell, President of the New Jersey Bankers Association and President of the First National Iron Bank, Morristown, N. J.; T. C. Swarts, President of the Pennsylvania Bankers Association and Executive Vice-President, Woodlawn Trust Co., Aliquippa, Pa., and Gordon McMillan, President of the Delaware Bankers Association and President of the Claymont Trust Co., Claymont, Del., headed the delegations from those States.

Besides Chairman Hanes, speakers at the daytime session included David C. Barry, Vice-President of the Lincoln-Alliance Bank & Trust Co., Rochester, whose subject was "Term Loans for Small Business;" William F. Kurtz, President of the Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, who spoke on "Correspondent Banking as a Solution," and Hugh H. McGee, Vice-President, Bankers Trust Co., and Chairman of the New York credit group, who spoke on "Credit Groups." ABA officials who addressed the meeting were Walter B. French, Deputy Manager, Director, Consumer Credit Committee, who talked on "Legislative Aspects in Postwar Credit," and Ed Drew, Deputy Manager, who discussed ways of telling the post-war bank credit story to the nation's business men, professional men and farmers.

On Thursday night, Nov. 10, at the special session of the Second Federal Reserve District small credit committee, plans were formulated for carrying the ABA program to local levels. The New York State Bankers Association's program, as explained in this meeting, calls for the study of small business credit at a series of local meetings at which bankers will act on proposals for merchandising small business credit and making funds available to every competent "man, firm, or corporation in need of credit for some constructive purpose that will serve the private enterprise economy."

Concurrently with the meeting, the New York State Bankers Association released to its member banks a portfolio of procedure for planning and merchandising post-war small business credit. The centerpiece of the portfolio is the booklet, "Financing Your Business After Victory," prepared jointly by the Association and the Committee for Economic Development of New York State. The booklet, which will be distributed by banks, emphasizes the need for adequate post-war business planning, pointing out that the logical first step for each business man to take is to discuss his financial problem with his banker.

For the convenience of bank officers, the portfolio includes the CED handbooks for retailers, wholesalers and industrial employers. Other informational material covers agricultural credit methods and merchandising. Each portfolio provides suggested letters and news releases to be used in following up the ABA program.

The organization of the Post-War Small Business Credit Commission of the ABA has previously been referred to in these columns, and the $100,000,000 bank credit group formed in New York was mentioned in our issues of Sept. 28, page 1380, and Oct. 19, page 1700.

Chiang Kai-shek Congratulates FDR on Re-Election

Congratulating President Roosevelt on his re-election as President, Generalissimo Chiang Kai-shek declared it a "welcome guarantee" of final victory and an augury for closer Chinese-United States relations. The message, as reported in Associated Press advices from Chungking, China, on Nov. 9, said:

"On behalf of the entire Chinese nation, I beg to offer Your Excellency my warmest congratulations upon your re-election as President of the United States for a fourth term. This happy event is a complete vindication of your Administration and an unmistakable demonstration of the American people's determination to dedicate themselves to the upholding of the democratic cause throughout the world under your inspiring leadership.

"Your re-election is a welcome guarantee that the Allied powers will succeed in winning the final victory and establishing a just and durable peace at an early date.

"I have no doubt that your country will attain new heights of greatness and prosperity during your continued tenure of office, and I am eagerly confident that, with your deep and abiding sympathy with China, the traditional ties of Sino-American leadership will be further strengthened and the cooperation between our countries enhanced.

"Please accept my most sincere wishes for your good health and for the well-being of the American people."

FDR Congratulates Truman

With his election as Vice-President at the national election on Nov. 7, Senator Harry A. Truman on Nov. 8 received among congratulatory messages one from President Roosevelt, which said:

"I am very happy that things have gone so well. My thanks and congratulations for your splendid cooperation. I will see you very soon."

We quote from Associated Press advices from Washington Nov. 8, which also stated:

"Later the Vice-President-elect telephoned the President to congratulate and thank him for his message.

"He expressed confidence that the absentee ballots, which will be counted Friday, would assure the election of Roy McKittrick, Democrat, over Governor Donnell, Republican, for a seat in the Senate."

Discussions At Int'l Business Conference Seen By FDR Contributing Toward Post-War Trade

In his first statement on business since his re-election, President Roosevelt sent greetings on Nov. 10 to the delegates of 51 nations at the opening of the International Business Conference at Rye, N. Y., in the Westchester Country Club. The President in his remarks noted that by exchanging information "businessmen of all countries can contribute much toward replacing the war-distorted economy of the world with a new and better structure which is necessary to the maintenance of world prosperity and security."

The President's message was read to the Conference by Eliot Wadsworth, Chairman of the American Section of the International Chamber of Commerce, one of the four organizations sponsoring the Conference. Mr. Wadsworth was acting as Chairman at a welcoming luncheon to the delegates. The President's greetings follow:

"The White House, Washington.

"I am glad to welcome to the United States the businessmen of other countries who are meeting with representative American businessmen in an International Business Conference. This Conference is a most commendable forward step toward good future relations, not only among businessmen of different countries but among the nations themselves.

"The businessmen of the United Nations and the nations associated with them have done much to assure the victory of our arms. Now, without in any way slowing the vast movement of supplies to all the fighting fronts, business leaders are turning their thoughts to the problems of reestablishing vigorous post-war trade and business among nations. There is a growing realization that a post-war expansion of international commerce is essential to the economic welfare and to the security of every country.

"World business, after the war, must be expanded on a basis of non-discrimination and of freedom from excessive barriers and restraints. The necessary expansion can be achieved only as nations and their citizens work together cooperatively toward understanding each others' problems and taking effective and mutually advantageous measures for solving those problems.

"By exchanging information and by frank and friendly discussion in a spirit of mutual helpfulness the businessmen of all countries can contribute much toward replacing the war-distorted economy of the world with the new and better structure which is necessary to the maintenance of world prosperity and security.

"I am sure that the meeting of businessmen from many countries in the International Business Conference will help us to achieve those great objectives, and I extend my best wishes for the success of the Conference.

"Very sincerely yours,

"FRANKLIN D. ROOSEVELT."

The Conference is sponsored by the American Section of the International Chamber of Commerce of the United States, the Chamber of Commerce of the United States of America, the National Association of Manufacturers, and the National Foreign Trade Council.

Gov. Dewey Regards Presidential Campaign As Uniting Republican Party More Closely

Governor Thomas E. Dewey of New York, Republican nominee for President, who while failing of election on Nov. 7, nevertheless polled a popular vote of over 21,000,000, against that of over 24,000,000 registered in the reelection of President Roosevelt, said on Nov. 8 that he declined "even to speculate" on the 1948 campaign. He made the statement, said the New York "Times" of Nov. 9 in a press conference in his suite at the Hotel Roosevelt, in New York, when asked whether he might make another try for the Presidency. "I have just finished this campaign," he said, smiling. In part the "Times" also said:

The Governor expressed satisfaction at the success of "fine Republicans" who had won in State elections and reiterated his assertion of Tuesday that the campaign had helped to unify the country.

In response to a question for comment on the New York State vote, the Governor said:

"I am very happy over the high confidence the people have expressed in the State Government by the handsome majorities they have given Republicans in the State Senate and the Assembly."

Completely relaxed and obviously glad the campaign was over, Governor Dewey appeared pleased by what he described as these achievements:

1. That the campaign had united the Republican Party more closely than it has been for 16 years.

2. That he had polled what his managers called "a very close" popular vote, despite an apparently top-heavy electoral majority for President Roosevelt.

3. That the Republicans had held their own in the New York State legislative election, despite predictions by party members that a recent reapportionment would work to the advantage of the Democrats.

Governor Dewey took pleasure in what his friends described as the whole-hearted acceptance of his foreign policy views by Republican leaders in and out of Congress.

The only difference on this issue between the two major parties, he was represented as feeling, is one of emphasis. His assistants contended that the present Administration emphasizes dominance of the three great powers—the United States, Britain and Russia—in future peace plans, while Governor Dewey stressed the importance of giving all peace-loving nations, large and small, voice in preserving future world security.

The Governor's friends said the reason for his defeat could be cited in two words—"the war." They expressed belief that many voters were reluctant to change leadership with the war being successfully prosecuted and nearing a climax.

Governor Dewey has since gone to Sea Island Beach, Ga., for a vacation of possibly two weeks.

The reelection of President Roosevelt was noted in our issue of Nov. 9, page 2018.

White Elected V.-P. Of N. Y. Chamber

William White, President of the Delaware, Lackawanna & Western RR. Co., has been elected a Vice-President of the Chamber of Commerce of the State of New York to fill the unexpired term of the late Frederick E. Williamson, former President of the New York Central System. Mr. White will serve as Vice-President of the Chamber until May, 1946.

The Financial Situation

(Continued from first page)

if such it may be termed, is in large measure the result of the fact that for one reason or another owners of funds have in much larger measure than in the past not been satisfied to hold deposits but have demanded currency instead. It may well be that some return of this currency to the banks will occur once the war is over, and it may likewise develop—though a doubtful blessing it would be—that we shall again begin to draw gold from the four corners of the earth after the fighting ceases, and thus be able easily to put a larger basis of the yellow metal under our credit structure. Certain it is that we are in the midst of the most expensive war of all human history and could scarcely expect to pass through such an experience without it having a very appreciable effect upon our banking and credit structure.

No "Mere Technicality"

Yet when all this, and other related allowances are made, it is still impossible to concede that the situation under discussion is one which the American people should pass by without realization of its meaning. Neither the condition by which we are confronted nor the remedy proposed for its cure is a "mere technicality," and it would be definitely short of statesmanship to try to give the impression that it is. Let us not permit ourselves to be confused or the underlying situation obscured by "ratios" or astronomical figures representing our gold holdings. An over-extended credit structure is not purified or rendered innocuous by the presence of proportional amounts of gold. Such salutary effect as gold might have in ordinary circumstances is in any event largely lost when it is not obtainable on demand by holders of bank deposits or lawful currency.

Money Supply

The true inwardness of the existing situation can perhaps be understood by considering it without reference to gold or to reserve ratios. Since June 30, 1933, our money supply—bank deposits and currency outside the banks—has increased from $41.7 billion to $139.2 billion (July 31, 1944). By the middle of 1940 it had reached $67 billion. This $25.3 billion increase was due in part to the enormous inflow of gold, in part to reckless monetization of silver, and in part to the equally reckless increase in the public debt in peace time with the banks taking a large part of it. The increase in money supply since we entered the war has been $61 billion—all a result of placing Treasury war deficits in the banks of the country. Commercial bank holdings during that period rose from $21.8 billion to $72 billion, while the holdings of the Federal Reserve Banks rose from $2.3 billion to $14.9 billion.

Post-War Problems

Now return of currency from the pockets or strong boxes of the country to the banks after the war would ease the reserve positions of the banks, but would not of itself reduce the money supply by so much as one dollar, since each dollar returned would be replaced with a dollar of bank deposits. A renewed inflow of gold into this country in the post-war period would certainly not reduce this money supply, but would on the contrary increase it probably dollar for dollar—and quite possibly by considerably more. Practically speaking, there is only one way in which any very large reduction in this already enormously swollen supply of money can be effected. That is by a reduction in bank holdings of Government debt. Other forms of bank assets have already been well squeezed down, and will without much question tend to return to their earlier status in many instances at least rather than to decline further.

Now one certainly need not be a slavish follower of the so-called quantity theory to recognize the hazards involved in facing a post-war period with the supply of money about two and one-half times as large as was the case in 1929. Either voluminous idle funds will remain a threatening factor and a disturbing influence through the years or else the funds will be put to work with the inevitable result that a more or less revolutionary price upheaval will occur. Neither horn of the dilemma is a pleasant one.

If the inevitable assertion be made that "there is a war on" and there is nothing that can be done about it, the obvious reply is that at least we had better take this situation into careful account when we plan our post-war course of conduct. There can be little doubt that demands upon the Treasury will be heavy after the war in any event. Equally certain is it that pressure for reduction in taxes will arise. The financing of this war has been effected in such a fashion that between possible war bond redemption demands and the various "carry-backs" and refunds under existing tax laws the Treasury will be required to find very substantial amounts of additional cash. A very large part of the outstanding marketable debt of the Treasury is of a short-term sort. Many holders without doubt will need the cash when the war is over. Where will the Treasury obtain the cash demanded of it? There are many who glibly reply: "From the banks." If so, money supply will continue to grow after the war, not decline, as many seem to take for granted.

No Time for Profligacy

But much of all this may, too, with some show of reason be termed unavoidable—the facts being what they now are. Perhaps it would be more accurate to say that the situation controlling these matters is already in existence and can not readily be changed at this time. But what of all the plans for financing the remainder of the world, of subsidizing this or that group in the population, and in general starting out on a spending spree which would about match in peacetime what we have been doing in wartime—or at least imitate it?

This is a time when the banking situation should be given very careful thought.

Terming Germany and Japan Aggressors Stalin Urges World Peace Organization

Premier Stalin in an address at Moscow on Nov. 6, the eve of the 27th aninversary of the Russian revolution, in referring to Japan and Germany as typical aggressors, stressed the urgency of creating "a special organization to defend peace and insure security, composed of representatives of the freedom-loving nations, to put at the disposal of the leading organ of such an organization the essential amount of armed force required to avert aggression, and to make it the duty of this organization, in case of necessity, to apply without delay these armed forces to avert or liquidate aggression and to punish those guilty of aggression."

In his remarks with respect to means for curbing aggression, Premier Stalin was quoted in Associated Press advices from Moscow as saying:

What means are available to avert new aggression by Germany and, if war arises, to stifle it at its very beginning, without allowing it to develop into large-scale war? This question is the more appropriate because, as history shows, aggressive nations—nations that attack—are usually more prepared for a new war than peace-loving nations, which, not being interested in a new war, are usually too late in preparing for it.

This means that the aggressive nations in this war before the outbreak of war had an invasion army ready, while the peace-loving nations did not even have fully satisfactory armies at the crisis of mobilization.

It cannot be considered accidental that such unpleasant facts occurred as the incident at Pearl Harbor, the loss of the Philippines and the other islands in the Pacific Ocean, the loss of Hong Kong and Singapore, when Japan as an aggressive nation proved more prepared for war than Great Britain and the United States, which pursued a policy of peace.

Neither can we consider accidental such an unpleasant fact as the loss of the Ukraine, White Russia and the Baltic regions during the very first year of war, when Germany, as an aggressive nation, proved more prepared for war than the peace-loving Soviet Union.

It would be naive to explain these facts by the personal qualities of the Japanese and Germans, their superiority over the British, Americans and Russians, their foresight, etc. It is not a question of their personal qualities but of the fact that the aggressive nations, interested in a new war, as nations preparing for war over a long period and accumulating forces for this purpose usually are—and must be—more prepared for war than peace-loving nations who are not interested in a new war.

This is natural and comprehensible. This is, if you like, a law of history that cannot be denied.

It cannot be denied that in the future the peace-loving nations may again find themselves taken unawares by aggression, of course, if they do not work out now special measures capable of averting aggression. What means are there for averting new aggression by Germany and, if war arises in spite of that, stifling it at its very beginning and not allowing it to develop into large-scale war?

There are such means for this purpose. Apart from complete disarmament of the aggressive nations there is only one means, namely, to create a special organization to defend peace and insure security, composed of representatives of the freedom-loving nations, to put at the disposal of the leading organ of such an organization the essential amount of armed force required to avert aggression, and to make it the duty of this organization, in case of necessity, to apply without delay these armed forces to avert or liquidate aggression, and to punish those guilty of aggression.

There must not be a repetition of the sad memory of the League of Nations, which did not have either the right or the means to avert aggression. It will be a new, specially empowered international organization with everything at its disposal to defend peace and avert a new war.

Can one reckon on the fact that the activity of this international organization will be sufficiently effective?

It will be effective if the great Powers, which have borne on their shoulders the main burden of the war against Germany, will act in future also in the spirit of unanimity and concord. It will not be effective if these essential conditions are violated.

Earlier in his address Premier Stalin stated:

The decision of the Teheran conference for joint action against Germany and the brilliant putting into practice of those decisions constitute one of the clear indications of the stabilization of the front against the Hitlerite coalition.

Few large-scale planned military operations for joint action against a common enemy can be found in history carried out so fully and exactly as the plan for the joint blow against Germany drawn up at the Teheran conference was carried out.

There can be no doubt that without the unity of outlook and the coordination of action of the three great powers, the Teheran decisions could not have been realized so fully and exactly.

It is also without doubt, on the other hand, that successful realization of the Teheran decisions could not fail to serve to consolidate the front of the United Nations.

The decision of the conference at Dumbarton Oaks on the question of the organization of post-war security should be regarded as an equally clear indication of the stability of the front of the United Nations.

There is talk of differences between the powers on certain questions of security. Differences do exist, of course, and they will arise on a number of other issues this week. Differences occur even among people of one and the same party. All the more so should they occur between representatives of different States and of different parties.

One should not be surprised because differences exist, but because there are so few of them, and that they are as a rule solved almost every time after the united and coordinated action of the three great powers. It is not a question of the differences, but that the differences should not be solved against the interests of the unity of the three great powers; and that in the final count they are solved in the direction of the interests of that unity.

It is known that more serious differences existed for us on the question of the opening of the second front. But we know equally well that these differences were solved in the long run in a spirit of complete agreement. I can say exactly the same concerning the differences at the Dumbarton Oaks conference.

Characteristic of this conference is not the fact that certain differences were revealed there but that nine-tenths of the security questions were solved at this conference in the spirit of complete agreement.

That is why I think that the decisions of the Dumbarton Oaks conference should be regarded as one of the clear indications of the stability of the front against Germany.

United Press advices from San Francisco on Nov. 9 reported a Japanese broadcast on that day as saying that the people of Japan were "surprised and offended" at the address of Premier Stalin calling Japan an aggressor nation, and pointed out that while Russo-Japanese national relations are "normal" there is a possibility of a change. The United Press added:

A Domei news agency transmission reported by the Federal Communications Commission said official Tokyo circles were refraining from opinion or comment on the Stalin address, although it was a topic of conversation in all Japan. Japan has a neutrality pact with Russia expiring a little more than five months from now.

The fact that Stalin branded Japan an aggressor is "indeed a new factor and may have been the most sensational part of his speech," the broadcast said. Explaining why the people of Japan were "surprised and offended," it trotted out the time-worn phrases that "the war of greater East Asia is a fight to free the people of greater East Asia from the imperialism of America and Britain."

"Now the question of the Soviet attitude toward Japan will inevitably pop up—however, so far the relations between Japan and the Soviet Union have been normal," Domei said.

"There are various outstanding problems yet to be solved between the two nations, but many problems in the past have been taken care of in an exceedingly smooth fashion by the two powers. Such being the case, there is not a bit of evidence that may be called 'abnormal' in the negotiations from day to day.

"The Soviet Union is a realistic country, so in all probability her foreign policy vis-a-vis her neighbor is not wholly immutable. Conversely, it is naturally expected that the foreign policy of Russia will change as new situations demand. Consequently, it is the firm belief of the Japanese general public that Japan must also adopt a realistic policy which will conform with any new situation created by the Russians."

Tribute to Youth Paid By Roosevelt In International Student Day Statement

In a statement issued on Nov. 1 incident to the observance on Nov. 17 of the Third International Students Day, President Roosevelt recalled the massacre of Czechoslovakian students and professors by the Nazis nearly five years ago, as he paid tribute to the youth of the United Nations who have fought and are still fighting for the future of all.

This was noted in special advices from Washington Nov. 1 to the New York "Times" in which the President's statement was given as follows:

"Five years ago, on Nov. 17, 1939, occurred the horrible massacre of Czechoslovakian students and professors by the Nazis — despicable mass murder that subsequent events have proved was but a part of the Nazi design to quiet forever the voices of men who considered death preferable to destruction of their freedom of belief and their right to teach that belief.

"Since that day, valiant youths from all the United Nations, especially the youth of those countries which have been occupied by the enemy—China, Ethiopia, Poland, Norway, Luxembourg, the Netherlands, Belgium, France, Greece, Yugoslavia, Russia and the Philippine Islands -- have fought and bled and died to preserve with this freedom the right to build together a future world where free men may be peacefully secure from aggression and force. They are still fighting today, victoriously and discovering under fire their great common unity of purpose.

"In the world of tomorrow, these youths will be builders of the future of nations. Through courageous and vigorous effort, by friendship and common striving, theirs will be the task of replenishing the intellectual vigor of their war-disrupted countries.

"In observing Nov. 17 again this year as International Students Day, American youth joins with the youth of all freedom-loving nations in pledging itself anew to those tasks and to that faith in the world of tomorrow toward which we now advance."

NY 6th War Bond Quota Of $4,226,000,000

Incident to the Sixth War Loan Drive which will start on Nov. 20 and continue through Dec. 16 a quota of $4,226,000,000 has been set for New York State in the campaign, it was recently announced by Frederick W. Gehle, State Chairman of the War Finance Committee for New York. This quota represents more than 30% of the national goal of $14,000,000,000, thus maintaining the State's position as the largest single financial backer of the war. Individuals will be called upon to subscribe $800,000,000, of which $295,000,000 is sought from E-bond buyers in the State. The largest portion of the State's quota will be raised in Greater New York City, which has a goal of $3,667,500,000. Of this total city individuals will be asked for $597,500,000, while E-bond investors are expected to account for $181,400,000 of the individual quota.

While the campaign will officially extend from Nov. 20 to Dec. 16, sales of the savings issues—E, F, and G bonds and series C notes—will be counted beginning Nov. 1 until the last day of the year. Thus, a full two month period will be available for the accomplishment of the individual, as well as the E-bond quotas. Sales to other investors of the open market issues will be tabulated beginning Dec. 1, and will cease on Dec. 16, Mr. Gehle pointed out. This is in accordance with the pattern set in prior war loans. The two month period allotted for sales of savings bonds and notes is aimed particularly at making possible the tabulation of payroll savings subscriptions and extra bonds purchased on a payment plan, the State Chairman said. Mr. Gehle added:

"New York State and the city are once again looked to by the nation for leadership in this War Loan. It is a great responsibility that has been given us by the national government, and as we approach the opening day of the Sixth War Loan, we must rededicate ourselves to the proposition that there will be no letup on the home front while a single boy remains on the battlefront." Mr. Gehle said that "to much has been said about the nearness of victory, far too little has been uttered about the task that is ahead." He further stated:

"We fully expect that every family, every employee in every business and industrial organization in the State, will be called on personally to buy an extra $100 War Bond during the campaign. It is only through the overwhelming support of every citizen, that we will be able to achieve our goal, and I am confident that this support will be forthcoming."

In calling for an all-out effort by New York citizens, Mr. Gehle emphasized the need for bond-selling volunteers, and pointed out that a special organization, the Blue Star Brigade, has been developed to enlist new workers. The plan, which has already been adopted in most of New York's 62 counties, will operate on a Statewide basis throughout the campaign and will reward with an authorized home front service ribbon those who achieve outstanding results in bond sales. "The Blue Star Brigade will be the greatest home front army that has ever been mustered in the history of our nation," Mr. Gehle said. "It will comprise upwards of half a million volunteer salesmen, and will be dedicated to the men of New York whom we remember in displaying the traditional blue star service flag."

In New York City the sales campaign will be preceded by an intensive drive for enlistment in the Blue Star Brigade, with 20,000 workers sought in Manhattan borough alone. A reference to the drive appeared in our Nov. 9 issue, page 2035.

New York Stock Exch. Borrowings Increase In Month of October

The New York Stock Exchange announced on Nov. 6, 1944, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business Oct. 31, was $812,588,565, an increase of $32.999.360 from the Sept. 30 total of $779,589,205.

The following is the Sttock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges: (1) on direct obligations of or obligations guaranteed as to principal or interest by the U. S. Government, $249.437.573; (2) on all other collateral, $563,150,992; reported by New York Stock Exchange member firms as of the close of business Oct. 31, 1944, aggregated $812,588,565.

The total of money borrowed, compiled on the same basis, as of the close of business Sept. 30, 1944, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the U. S. Government, $257,708 634; (2) on all other collateral, $521,880,571; total, $779,589,205.

Christmas Club To Distribute To Members

Five hundred million dollars will be distributed to about 7,000,000 Christmas Club members by 4,800 banking and savings institutions and other organizations during Post-War Prosperity Week, starting Monday, Nov. 27, according to an estimate given out on Nov. 8 by Herbert F. Rawll, founder and President of Christmas Club, A Corporation. The total distribution, it is announced, is 20% ahead of last year and represents a high since the year of the bank holiday. The average per-member distribution increased to approximately $70 as compared with $56 last year. This average check amount represented an all time record in the 34 years of Christmas Club operation, says the announcement from which we also quote:

"The use of Christmas Club checks this year shows a substantial increase in percentages applied to War Savings Bonds, Permanent Savings and Government-urged, anti-inflationary purposes. A recent cross section survey indicates the estimated fund of $500,000,000, will be used by the recipients approximately as follows:

Permanent savings	26%	$130,000,000
War savings bonds	19	95,000,000
Insurance premiums	11	55,000,000
Debt retirement	10	50,000,000
Taxes	8	40,000,000
Christmas purchases	25	125,000,000
Unclassified	1	5,000,000
	100%	$500,000,000

"In the distribution of Christmas Club funds this year, New York State leads the other States with about $134,000,000; the estimates for Pennsylvania are $57,000,000; for Massachusetts, $50,000,000; for New Jersey, $38,000,000; New York's Metropolitan district will receive about $80,000,000. The Bank of the Manhattan Company has $4,000,000 for 60,000 members enrolled at 49 offices in greater New York. The Seaman's Bank for Savings in New York City has an approximate total of $2,800,000; the Dime Savings Bank of Brooklyn, $2,180,000; the Howard Savings Institution of Newark, N. J., $1.900.000; the Trust Company of New Jersey, $1,600,000; the Hudson County National Bank and the Commercial Trust Co., in Jersey City, each have a sum in excess of $1,200,000.

All Possible Aid for Greece by U.S. Pledged

Basil J. Vlavianos, editor of the Greek-language newspaper, the "National Herald," announced on Oct. 24, according to the New York "Times" of Oct. 25, that he had received a letter from President Roosevelt pledging all possible American aid for Greece and expressing the hope that Greece soon would be able to choose its own form of government. The letter, as released by Mr. Vlavianos and given in the "Times," said:

"I want to thank you for your letter on the liberation of Athens and the future of Greece.

"America has always had the highest regard for the gallant Greek people who gave birth to democracy. The contribution of Greece to our present struggle by the continued resistance of its people has been invaluable.

"I am glad to have this opportunity to reassure my friends of Greek origin and Greek birth everywhere that it is the desire of the American Government to help Greece to the utmost of its capabilities. It is the further desire of our Government that the Greek people, who have fought so valiantly for democratic ideals, will be able to exercise as soon as possible the right of all democratic people and choose freely for themselves the form of government under which they will live."

Truckloading Volume Declined in September

The volume of freight transported by motor carriers in September decreased 0.76% under August and 1.07% below September, 1943, according to American Trucking Associations, Inc., which further announced as follows:

Comparable reports received by ATA from 293 carriers in 47 States and the District of Columbia showed these carriers transported an aggregate of 2,322,662 tons in September, as against 2,340,473 in August, and 2,347,699 in September of 1943.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 182.47 in September; the August index figure was 187.4.

Approximately 80% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 1.56% below August and was 3.22% below September, 1943.

Transportation of petroleum products, accounting for about 14% of the total tonnage reported showed an increase of 2.96% above August and 17.22% above September of last year.

Carriers of iron and steel products hauled about 2% of the total tonnage. Their traffic volume was 1.61% above that of the previous month but declined 8.65% below September, 1943.

About 4% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, milk, textile products, coke bricks, building materials, cement and household goods. Tonnage in this class increased by 2.30% above August but was 5.06% below September of 1943.

Relief Provisions of Excess Profits Tax Subject of Bulletin

Joseph D. Nunan, Jr., Commissioner of Internal Revenue, released to the public on Nov. 6 an official bulletin prepared for the guidance of Internal Revenue personnel in the administration of the relief provisions of the excess profits tax on corporations, as prescribed in Section 722 of the Internal Revenue Code. In making the bulletin available to taxpayers, Commissioner Nunan said it was his hope that an open discussion of the complex problems involved in Section 722 will facilitate their fair and expeditious solution. Generally, it is stated, the excess profits tax is imposed only upon the portion of corporation profits which are above pre-war standards of normal earnings. However, since the specific formulas for determining the tax might be unfair in individual cases, Congress provided through Section 722 a method of granting relief in such cases.

Commissioner Nunan states: "The administration of these relief provisions is a grave responsibility for all concerned. Applications for relief so far filed or in preparation by taxpaying corporations involve applications for refunds totalling approximately $12,000,000,000.

"We have trained a large and competent staff of accounting, economic and legal experts to examine these applications so that they may be judged as fairly and carefully as posible. By making this bulletin available to the public, we hope to stimulate understanding and cooperation which should facilitate fair and expeditious solution of the problems involved in these applications."

The bulletin does not constitute a formal ruling or regulation, Commissioner Nunan added. It is intended to express the present trend of official opinion in the administration of Section 722. Later, as experience and discussion make possible the further crystallization of principles, they will be expressed in formal rulings and regulations.

Printing of the bulletin has been arranged, and copies may be ordered from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

New York Chamber To Hold Annual Dinner On Nov. 28

The first annual dinner to be held by the Chamber of Commerce of the State of New York since the United States entered the war will take plate at the Waldorf-Astoria Hotel on Nov. 28. The yearly dinners, which date back to 1768 when the Chamber was founded, were dispensed with last year and in 1942, as they were in 1917 and 1918 during the First World War, as war conservation measures. This year the officers of the Chamber felt that the progress of the war warranted their resumption. Leroy A. Lincoln, President, will be toastmaster at the dinner. Willis H. Booth is Chairman of the Committee on Arrangements.

President Deplores Destruction by Nazis In Netherlands

In a message to Queen Wilhelmina on Nov. 9 President Roosevelt deplored reports of destruction in the Netherlands by Nazis and stated that all possible steps are being taken to make available relief to the people of the Netherlands. The following is the message of the President as given in special advices to the New York "Times" from Washington:

"I have been inexpressibly shocked by the reports that have reached me of the savage, wilful destruction being carried out by the Nazi barbarians in the Netherlands. I am confident, however, that the blows being struck by our united forces will soon result in the total liberation of your country and in the meantime you may be sure that all possible steps are being taken to ensure that relief will be made available to the people of the Netherlands."

Non-Farm Mortgage Financing Down

Non-farm mortgage financing in September amounted to $416,000,000, 3% less than in August, the peak month for the war years, according to a report released from the Federal Home Loan Bank Administration on Nov. 11. The announcement says:

By type of mortgage lender, September declines from August ranged from 1% for insurance companies to 8% for miscellaneous mortgagee institutions. Mortgages recorded in the name of individuals increased by less than 0.5%.

The figures embrace estimates of recordings of mortgages amounting to $20,000 or less. The number and dollar amount of recordings in September, by type of lender, are as follows:

	Number	Amount	Per Cent
Savings and loan associations	46,237	$146,151,000	35%
Insurance companies	4.474	22,432,000	5
Bank and trust companies	21,880	77,000.000	19
Mutual savings banks	4,168	15,447,000	4
Individuals	40.727	104,479.000	25
Other mortgagees	13.623	50,676.000	12
Total	131,115	$416,185,000	100%

The State Of Trade

(Continued from page 2162)

August to $13,659,000,000 in September as a result of customary September payments of interest and dividends, but this advance was not up to the usual seasonal rise.

Agricultural income and factory payrolls contributed most heavily to the index decline, the Department noted.

In computing the index, 1935-1939 equals 100. The index was still far above that of September, 1943, which was 215.2. For the first nine months of 1944 it was 231.0, compared with 208.8 a year earlier.

Farm Population Declines—A decline of 4,748,000 took place in farm population in the last four years, the Department of Agriculture disclosed the past week.

The estimate showed that last January a total of 25,521,000 persons were living on farms as contrasted with 30,239,000 for the same month in 1940. Half of the decrease occurred in 1942, according to the Bureau of Agricultural Economics, at which time migration to war industries and the armed forces was heaviest.

An analysis of the figures discloses a net loss of 1,650,000 to the armed forces; a net loss of 4,660,000 persons of both sexes in all ages who either moved away from farms or who are living on places no longer regarded as farms, and a net gain of 1,562,000 through the excess of births over deaths.

U. S. Imports in September—Imports in September were the smallest of the year, with exports, both lend-lease and general, little changed from August. Arrivals of merchandise in September as reported by the Census Bureau were valued at $280,000,000, about 15% under the 1944 monthly average. No explanation was forthcoming due to restrictions imposed by war on foreign data. Total value of imports for the first nine months was $2,923,000,000, up about 19% from the same period of last year.

September exports were valued at $1,199,000,000, only $1,000,000 under August, but 16% less than the record of $1,422,000,000 last May. Total exports for the first nine months of 1944 were valued at $10,817,000,000, highest January-September figure in history. Lend-lease shipments accounted for 80% of the export total, which did not include shipments to United States armed forces abroad.

Business Failures—Business failures in the United States for the week ended Nov. 2 decreased to 11 from 15 in the preceding week, and compared with 42 a year ago, according to Dun & Bradstreet. Insolvencies with liabilities of $5,000 or more amounted to 6 against 10 in the preceding week and 19 a year earlier. There were two Canadian failures, compared with one a week earlier, and unchanged from a year ago.

Steel Industry—Steel order volume was heavy this past week, and the output of steel ingots continued at a relatively high level, but confusion was mounting this week as to the trouble trend of post-war steel order volume, while at the same time the popular ban on post-war talk made many with definite plans reluctant to disclose them, stated "The Iron Age" in its current review of the steel market.

The steel industry knows well that there is enough capacity and manpower to keep war steel requirements on schedule, and the feeling is growing that more definite information from official sources should be given on the probable output of civilian goods.

Recent weeks have shown a slight increase in war demand, but at the same time steel mills have had to fill gaps in their schedules as a result of partial or complete cancellations on some items. As a result, all steel sales offices have become competitive minded.

Orders for Quonset huts, ammunition and other needed war items, states the magazine, have increased, but plate directives are on the down grade and some large manufacturers are nearing the end of some of their biggest war contracts. Thus while current order volume looks good, steel operators are concerned about enough business to adequately operate facilities after the turn of the year. The lack of more definite reconversion plans may cause a drop in steel output the first quarter of 1945, because there is not sufficient volume of various types of steel orders to insure a normal and economic operating pattern. Another factor lending credence to the possibility of a lower operating rate is the report that December lend-lease bar and semi-finished tonnage for the United Kingdom will be cancelled, thus further easing the situation in these categories.

Post-war orders were still rolling into steel mills the past week, with total volume of such business definitely increasing. Some orders do not show exact specifications or any delivery schedules; some are for total deliveries as soon as restrictions are off, while others call for an indefinite delivery period.

"Signposts that some war manufacturers are winding up some important war contracts are found in the following: A large Detroit aircraft manufacturer in the automotive field has drastically reduced his commitments to a forge shop in the Chicago area; another shell producer in the Chicago district whose normal field is appliances has wound up his shell production; a prominent tank manufacturer is purchasing equipment and has arranged for building construction to allow him to enter the stainless steel tank field. An implement manufacturer of prime importance in the industry is arranging to produce domestic refrigerators and ice cream boxes in the post-war period. Distribution will be limited to the farm trade," "The Iron Age" disclosed.

Potential freight-car building is still in the limelight the past week. The picture for steel fabricators which a few weeks ago appeared to be clouded following completion of Maritime contracts continues to be brighter with a number of building and engineering inquiries listed. The steel scrap outlook this week was showing signs of strength.

The American Iron and Steel Institute announced last Monday that the operating rate of steel companies (including 94% of the industry) will be 96% of capacity for the week beginning Nov. 13, compared with 96.3% one week ago. This week's operating rate is equivalent to 1,727,000 net tons of steel ingots and castings, compared wtih 1,732,400 net tons last week and 1,704,600 tons one year ago.

October Steel Output—Steel production in October totaled 7,578,304 tons of ingots and castings, the greatest production since May of this year, a report of the American Iron and Steel Institute discloses. October production was substantially above output of 7,193,496 tons in September, but was below the record month of October of last year, when 7,814,117 tons were produced. Total steel production in the first 10 months of 1944 was reported at 74,777,771 tons, as against 74,209,247 tons in the corresponding period of 1943.

During October the industry operated at an average of 95.1% of capacity, as against 93.4% of capacity in September and 101.2% in October a year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,354,939,000 kwh. in the week ended Nov. 4 from 4,358,293,000 kwh. in the preceding week. The latest figures approximate a decline of 1.3% from the level of one year ago, when output reached 4,413,863,000 kwh.

Consolidated Edison Co. of New York reports system output of 172,900,000 kwh. in the week ended Nov. 5, 1944, comparing with 214,100,000 kwh. for the corresponding week of 1943, or a decrease of 19.2%.

Local distribution of electricity amounted to 168,600,000 kwh., compared with 205,600,000 kwh. for the corresponding week of last year, a decrease of 18.0%.

Railroads and the War Effort—Railroads are now handling about 2½ times the amount of freight traffic and more than four times the volume of passenger business than they did before the war, the Car Service Division of the Association of American Railroads said in a report submitted on Wednesday of this week to the annual meeting of the member roads of that Association, held at the Blackstone Hotel in Chicago.

The roads, according to the report, have virtually doubled the load of the First World War, and they are doing it with one-fourth fewer freight cars, about one-fourth fewer passenger train cars, and one-third fewer locomotives than in 1918. It is being accomplished without serious car shortages or loss of production time at factories, or loss of foodstuffs, account spoilage, for want of transportation by rail.

In the first half of 1944, compared with the same period in 1939, increases of 153.4% in revenue ton-miles, 114.5% in ton-miles, 350.3% in passenger-car miles, and 223.2% in the amount of freight moved by rail to various ports for export occurred. Passenger traffic posed a real problem for the roads. Excluding commutation travel, railroads in the first half of 1944 carried 21,854,000 more passengers than in the same period last year, while passenger miles increased 7,401 million.

Total revenue passenger miles, including commutation, for the first six months of 1944 were 4% greater than for the entire year of 1920, which was the peak prior to this war.

New records in the volume of movement or distribution of coal have been established during the current year, such as the dumping of 42,601,744 net tons over the lower Lake Erie docks up to Sept. 30. This is the largest coal tonnage ever dumped in any corresponding period via the lower Lake Erie ports.

Despite unprecedented movement of export freight, all ports are open and free of congestion. In September, when a record average of 5,659 cars of export freight was unloaded at the ports daily, the amount on hand awaiting unloading was less than five days' supply.

Railroad Freight Loadings—Carloadings of revenue freight for the week ended Nov. 4 totaled 893,333 cars, the Association of American Railroads announced. This was a decrease of 23,113 cars, or 2.5% below the preceding week this year, but an increase of 138,594 cars, or 18.4% above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 63,670 cars, or 7.7%, is shown.

Coal Production—The U. S. Bureau of Mines reports production of Pennsylvania anthacite for week ended Nov. 4, 1944, at 1,138,000 tons, a decrease of 181,000 tons (13.7%) from the preceding week, and an increase of 991,000 tons above the corresponding week of 1943. The 1944 calendar year to date, however, shows an increase of 7.4% when compared with corresponding period of 1943.

The report of the Solid Fuels Administration placed bituminous production for the week ended Nov. 4 at 11,950,000 net tons, representing a decrease of 200,000 tons, or 1.6%, compared with 12,150,000 tons in the preceding week. Production in the corresponding week of last year, when miners were out on strike, amounted to only 3,031,000 net tons, while output for Jan. 1 to Nov. 4, 1944, totaled 530,505,000 net tons, an increase of 7.5% over the 493,288,000 tons mined in the same 1943 period.

Estimated production of beehive coke in the United States for the week ended Nov. 4, 1944, as reported by the same source, showed a decrease of 10,900 tons when compared with the output for the week ended Oct. 28, last. There was, however, an increase of 41,500 tons more than for the corresponding week of 1943.

Silver—The London market for silver the past week was quiet and the price unchanged at 23½d. The New York Official for foreign silver continued at 44¾ cents, with domestic silver at 70⅝ cents.

Production of refined silver in the United States in September totaled 5,895,000 ounces, of which 2,291,000 ounces was obtained from domestic sources and 3,604,000 ounces from foreign. Production one year ago amounted to 8,071,000 ounces, of which 2,786,000 ounces was domestic and 5,285,000 ounces foreign.

Lumber Shipments—The National Lumber Manufacturers Association reports that lumber shipments of 502 reporting mills were 0.4% below production for the week ended Nov. 4, while new orders of these mills were 14.1% less than production for the same period. Unfilled order files amounted to 90% of stocks.

For 1944 to date, shipments of reporting identical mills exceeded production by 2.6% and orders ran 4.5% above output.

Compared to the average corresponding week of 1935-39, production of reporting mills was 22.8% greater, shipments 25.5% greater, and orders 11.9% greater.

Crude Oil Production—Daily average gross crude oil production for the week ended Nov. 4, as estimated by the American Petroleum Institute, was 4,719,900 barrels. This represented a decrease of 21,000 barrels per day from the preceding week, but was, however, 11,400 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of October, 1944. When compared with the corresponding week last year, crude oil production was 430,650 barrels per day higher. For the four weeks ended Nov. 4, 1944, daily output averaged 4,733,050 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureau of Mines basis) approximately 4,570,000 barrels of crude oil daily and produced 14,152,000 barrels of gasoline. Kerosene output totaled 1,365,000 barrels, with distillate fuel oil placed at 4,569,000 barrels and residual fuel oil at 8,570,000 barrels during the week ended Nov. 4, 1944. Storage supplies at the week-end totaled 78,409,000 barrels of gasoline; 14,489,000 barrels of kerosene; 48,477,000 barrels of distillate fuel, and 63,444,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

September Retail Sales—Total sales for retail stores in September were estimated at $5,899,000,000, an increase of 8% over the same month of 1943, reports the Department of Commerce. Aggregate sales for the first nine months of 1944 were $49,110,000,000, a rise of 7% above the similar period of last year.

Even after adjustment for price changes, the Department stated, sales for the nine months were 5% above those in the first three quarters of 1943. This reflected some increases in unit quantities sold, but chiefly a shift to the purchase of higher-priced lines, according to the Department.

A slight increase in trade for the country as a whole was noted the past week. Seasonal buying and holiday gift merchandise grew heavier with emphasis on quality goods. Sales volume in jewelry, cosmetics, furs and books was substantial.

Supplies approximate last year's levels, with shortages noted in men's underwear, work clothing and children's wear. Some women's dress lines, popular sportswear and most house furnishings lines are also suffering from depletion. On a dollar basis, furniture volume is slightly better than last year, and where supplies are available sales have held up well.

Shoppers' principal interest continued in women's ready-to-wear articles of apparel, with moderate improvement in men's wear also noted. Regional sales for the country as estimated by Dun & Bradstreet were 5% to 8% over a year ago, with all areas participating in the rise.

A high volume in the wholesale markets was maintained the past week as ordering of new spring apparel lines continued large and demand for all staple merchandise also heavy. A moderate improvement over a year ago was noted. As for the delivery situation, conditions have varied greatly, but schedules in the main were slower.

In boys' wear the delivery situation was described as poor, while in men's furnishings, neckwear stocks were good as buyers completed holiday orders. Lingerie, jewelry and furs were more active than in several weeks.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 6% ahead of a year ago for the week ended Nov. 4. This compared with 11% in the preceding week. For the four weeks ended Nov. 4, 1944, sales increased by 10%. A 9% increase in department store sales for the year to Nov. 4, 1944, over 1943, was also noted.

The earlier opening of the Christmas shopping season was an added stimulus to local trade here in New York the past week. Gains ranged up to 20%, as compared with one year ago, states the New York "Times." Election Day trade showed particularly desirable results. Merchandise shortages are taking on more definite form in the wholesale markets. This is especially true of better grade goods. A further cause of worry for merchants and manufacturers is the acute situation in cotton goods and staples.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Nov. 4 increased by 3% over the same period of last year. This compared with 19% in the preceding week. For the four weeks ended Nov. 4 sales rose by 9%, and for the year to Nov. 4 they improved by 9%.

Changes in Holdings of Reacquired Stock Of N. Y. Stock & Curb Listed Firms

The New York Stock Exchange issued on Oct. 17 the following tabulation of companies who have reported changes in the amount of stock held as heretofore reported by the Department of Stock List:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report	
Adams Express Company, The, common	1,102,984	1,109,548	
Allied Stores Corporation, 5% preferred	1,032	2,334	
American Locomotive Company, 7% cum. preferred	12,700	13,700	
American Safety Razor Corp., capital	48,000	48,100	
Associates Investment Company, 5% cum. preferred	658	747	
Atlantic Gulf and West Indies Steamship Lines, 5% pfd.	5,400	6,000	
Atlas Corporation, common	70,026	75,106	
Barker Bros., 5½% cum. preferred	14,360	15,060	
Barnsdall Oil Company, common	25,172	35,472	
Borden Company, The, capital	163,492	158,875	(1)
Carriers & General Corporation, common	500	None	
Consolidation Coal Company, $2.50 cum. preferred	2,000	2,400	
Crucible Steel Company of America, 5% conv. preferred	3,200	3,600	
Cuban-American Sugar Company, The, 7% preferred	5,460	5,520	
Davega Stores Corporation, 5% cum. preferred	None	100	
General Motors Corporation, common	55,200	60,600	
Goodyear Tire & Rubber Co., The, $5 conv. preferred	7,617	8,417	
Hat Corporation of America, preferred	3,330	3,465	
International Minerals & Chemical Corporation, common	135,704	135,279	
Lehman Corporation, The, common	35,300	35,600	
Madison Square Garden Corp., capital	41,200	42,100	
Mead Corporation, The, $6 series "A" preferred	None	10	
National Cylinder Gas Company, common	5,309	5,809	
Newport News Shipbuilding and Dry Dock Company—			
$5 cumulative convertible preferred	34,600	35,700	
Norfolk and Western Railway Co., adj. preferred	9,667	9,807	
Petroleum Corporation of America, capital	2,600	2,900	
Plymouth Oil Company, common	16,600	1,499	(2)
Purity Bakeries Corporation, common	31,989	31,749	
Rustless Iron and Steel Corp., common	9	10	
Safeway Stores, 5% cumulative preferred	95	96	
Sterling Drug, Inc., capital	10,034	34	
Transamerica Corporation, capital	1,223,956	1,251,659	
Twentieth Century-Fox Film Corp., $1.50 preferred	64,831	67,031	
United States Leather Co., The, prior pref.	7,145	7,147	
United States Rubber Company, common	6	10	
Virginia Iron Coal and Coke Co., 5% preferred	5,112	5,182	
York Corporation, capital	None	2,535	

NOTES

(1) Acquired 2,800 shares; issued 7.417 shares covering purchase of Arcadia-Ness.

(2) Acquired 400—issued as a stock dividend 15,501 shares.

The New York Curb Exchange made available on Oct. 21 the following list of issuers of fully listed securities which have reported changes in their holdings of reacquired stock:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
American General Corporation, common	385,480	385,499
Detroit Gasket & Mfg. Co., 6% preferred	10,066	10,466
Equity Corp., $3 convertible preferred	58,498	59,773
Esquire, Inc., capital	49,163	51,263
Fedders Mfg. Co., Inc., common	8,852	8,802
Kleinert (I. B.) Rubber Co., common	27,337	27,037
Ludwig Baumann & Co., conv. 7% 1st preferred	12,692	12,843
Midland Oil Corp., $2 convertible preferred	12,295	12,445
New York Merchandise Co., Inc., common	127,782	129,291
Ogden Corp., common	458	459
Paramount Motors Corp., common	76,321	103,741
Root Petroleum Co., $1.20 convertible pref.	7,117	7,717
Sterchi Bros. Stores, Inc., 5% 2nd preferred	100	400
United Cigar-Whelan Stores Corp., common	12,265	12,267
Utility Equities Corp., $5.50 div. pr. stock	12,050	12,250

Cotton Ginned from Crop of 1944 Prior to Oct. 18

The census report issued on Oct. 25, compiled from the individual returns of the ginners shows as follows the number of bales of cotton ginned from the growth of 1944 prior to Oct. 18, 1944, and comparative statistics to the corresponding date in 1943 and 1942:

RUNNING BALES
(Counting round as half bales and excluding linters)

State—	1944	1943	1942
United States	*6,282,155	7,792,249	8,182,596
Alabama	711,110	794,424	726,768
Arizona	21,787	29,740	28,239
Arkansas	735,665	759,271	962,533
California	20,481	39,844	32,572
Florida	9,516	13,002	13,889
Georgia	534,650	674,267	685,474
Illinois	1,462	863	2,579
Kentucky	6,429	6,237	10,018
Louisiana	435,594	593,020	495,785
Mississippi	1,109,345	1,404,421	1,458,239
Missouri	223,526	182,437	289,069
New Mexico	24,366	35,028	24,617
North Carolina	323,873	407,016	397,876
Oklahoma	190,583	179,156	332,717
South Carolina	519,077	529,904	523,374
Tennessee	274,433	315,226	386,135
Texas	1,129,960	1,816,555	1,801,657
Virginia	10,298	11,838	11,055

*Includes 48,182 bales of the crop of 1944 ginned prior to Aug. 1 which was counted in the supply for the season of 1943-44, compared with 107,053 and 48,626 bales of the crops of 1943 and 1942.

The statistics in this report include 1,065 bales of American-Egyptian for 1944, 14,961 for 1943, and 10,130 for 1942; also included are one bale of Sea-Island for 1944, 80 for 1943, and 435 for 1942. The ginning of round bales has been discontinued since 1941.

The statistics for 1944 in this report are subject to revision when checked against the individual returns of the ginners being transmitted by mail. The revised total of cotton ginned this season prior to Oct. 1 is 3,994,530 bales.

Consumption and Stocks—United States

Cotton consumed during the month of September, 1944, amounted to 793,086 bales. Cotton on hand in consuming establishments on Sept. 30, was 1,713,963 bales, and in public storage and at compresses 9,776,490 bales. The number of active consuming cotton spindles for the month was 22,279,574.

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

World Statistics

Because of war conditions and the difficulties in obtaining dependable world statistics such data are being omitted from this report for the time being.

Market Value Of Stocks On New York Stock Exchange Higher On Oct. 31

The New York Stock Exchange announced on Nov. 8 that as of the close of business on Oct. 31 there were 1,246 stock issues, aggregating 1,481,150,942 shares listed on the New York Stock Exchange, with a total market value of $53,086,843,093. This compares with 1,242 stock issues, aggregating 1,480,633,821 shares, with a total market value of $52,929,771,152 on Sept. 30.

In making public the Oct. 31 figures the Stock Exchange further said:

As of the close of business Oct. 31, New York Stock Exchange member total net borrowings amounted to $812,588,565, of which $563,150,992 represented loans which were not collateralizzed by U. S. Government issues. The ratio of the latter borrowings to the market value of all listed stocks, on that date, was, therefore, 1.06%. As the loans not collateralized by U. S. Government issues include all other types of member borrowings, these ratios will ordinarily exceed the precise relationship between borrowings on listed shares and their total market value.

In the following table listed stocks are classified by leading industrial groups with the aggregate market value and average price for each:

	—Oct. 31, 1944—		—Sept. 30, 1944—	
Group—	Market Value $	Av. Price $	Market Value $	Av. Price $
Amusement	587,379,294	25.36	589,138,267	25.44
Automobile	4,635,260,369	38.07	4,741,037,384	38.96
Aviation	699,347,837	19.62	694,265,055	19.47
Building	637,306,553	29.77	647,800,661	30.26
Business and Office Equipment	475,477,106	36.55	481,972,988	37.05
Chemical	6,331,262,764	65.87	6,296,986,048	65.51
Electrical Equipment	1,748,327,438	41.82	1,714,812,086	41.02
Farm Machinery	828,712,120	58.76	853,407,059	62.37
Financial	1,055,747,193	21.68	1,054,589,243	21.64
Food	3,481,760,483	41.27	3,472,320,139	41.11
Garment	48,341,425	28.94	47,666,166	28.54
Land & Realty	37,943,737	7.85	38,891,660	8.02
Leather	273,993,137	32.47	269,340,002	31.92
Machinery & Metals	1,975,565,878	27.12	1,971,602,906	27.25
Mining (excluding iron)	1,480,970,565	23.94	1,489,790,376	24.11
Paper & Publishing	619,580,321	26.09	614,235,346	25.93
Petroleum	6,045,812,783	29.76	5,941,427,401	29.27
Railroad	4,226,556,252	38.86	4,167,510,863	38.17
Retail Merchandising	2,996,306,307	40.76	2,995,397,275	40.72
Rubber	652,305,219	61.44	648,071,352	61.01
Ship Building & Operating	110,331,534	20.00	109,172,271	19.79
Shipping Services	19,063,727	11.05	18,608,165	10.79
Steel, Iron & Coke	2,374,996,182	46.97	2,360,229,685	46.68
Textiles	586,043,136	37.71	591,474,367	38.20
Tobacco	1,353,487,401	49.70	1,359,685,832	49.93
Utilities:				
Gas & Electric (Operating)	2,417,642,728	28.95	2,381,596,721	28.52
Gas & Electric (Holding)	1,337,963,358	13.89	1,344,411,133	13.96
Communications	3,912,039,958	91.41	3,883,236,960	90.66
Miscellaneous Utilities	126,376,852	22.03	125,120,521	21.45
U. S. Cos. Operating Abroad	846,217,413	24.89	861,337,658	25.33
Foreign Companies	956,606,463	23.11	952,977,593	23.01
Miscellaneous Businesses	208,117,560	28.48	211,657,969	28.96
All Listed Stocks	53,086,843,093	35.84	52,929,771,152	35.75

We give below a two-year compilation of the total market value and the average price of stocks listed on the Exchange:

	Market Value	Average Price		Market Value	Average Price
1942—	$	$	1943—	$	$
Oct. 31	37,727,599,526	25.65	Nov. 30	45,101,778,943	30.33
Nov. 30	37,374,462,460	25.41	Dec. 31	47,607,294,582	31.96
Dec. 31	38,811,728,666	26.39			
1943—			1944—		
Jan. 30	41,410,585,043	28.16	Jan. 31	48,396,650,695	32.47
Feb. 27	43,533,661,753	29.61	Feb. 29	48,494,092,518	32.51
Mar. 31	45,845,738,377	31.20	Mar. 31	49,421,855,812	33.12
Apr. 30	46,192,361,639	31.45	Apr. 29	48,670,491,772	32.59
May 29	48,437,700,647	32.96	May 31	50,964,039,424	34.14
June 30	48,878,520,886	33.27	June 30	53,067,698,691	35.55
July 31	47,577,989,240	32.17	July 31	52,488,254,469	35.07
Aug. 31	47,710,472,858	32.04	Aug. 31	53,077,487,308	35.40
Sept. 30	48,711,451,018	32.82	Sept. 30	52,929,771,152	35.75
Oct. 30	48,178,040,869	32.44	Oct. 31	53,086,843,093	35.84

Finished Steel Shipments By Subsidiaries Of U. S. Steel Corp. in Oct. Exceeded Sept. Total

Shipments of finished steel products by subsidiaries of the United States Steel Corp. in October amounted to 1,774,969 net tons, an increase of 41,367 net tons over the September deliveries of 1,733,602 net tons, but a decrease of 19,999 net tons from the 1,794,968 net tons reported in October, 1943. Shipments in October, 1942, were 1,787,501 net tons, and in the same month of 1941, they were 1,851,279 net tons.

For the ten months ended Oct. 31, last, deliveries totaled 17,639,435 net tons, the highest on record for that period, and compares with 16,864,612 net tons in the corresponding period of 1943, an increase of 774,823 net tons. The previous peak was for the first ten months of 1942, when the total was 17,538,977 net tons.

The following tabulation gives shipments by subsidiaries of United States Steel Corp. monthly since the beginning of 1939 (figures in net tons):

	1944	1943	1942	1941	1940	1939
January	1,730,787	1,685,993	1,738,893	1,682,454	1,145,592	870,866
February	1,755,772	1,691,592	1,616,587	1,548,451	1,009,256	747,427
March	1,874,795	1,772,397	1,780,938	1,720,366	931,905	845,108
April	1,756,797	1,630,828	1,758,894	1,687,674	907,904	771,752
May	1,776,934	1,706,543	1,834,127	1,745,295	1,084,057	795,689
June	1,737,769	1,552,663	1,774,068	1,668,637	1,209,684	607,562
July	1,754,525	1,660,762	1,765,749	1,666,667	1,296,887	745,364
August	1,743,485	1,704,289	1,788,650	1,753,665	1,455,604	885,636
September	1,733,602	1,664,577	1,703,570	1,664,227	1,392,838	1,086,683
October	1,774,969	1,794,968	1,787,501	1,851,279	1,572,408	1,345,855
November	------	1,660,594	1,665,545	1,624,186	1,425,352	1,406,205
December	------	1,719,624	1,849,635	1,846,036	1,544,623	1,443,969
Total by mos.	------	20,244,830	21,064,157	20,458,937	14,976,110	11,752,116
Yearly adjust.	------	*97,214	*449,020	*42,333	37,639	*44,865
Total	------	20,147,616	20,615,137	20,416,604	15,013,749	11,707,251

*Decrease.

Note—The monthly shipments as currently reported during the year 1942, are subject to adjustment reflecting annual tonnage reconciliations. These will be comprehended in the cumulative yearly shipments as stated in the annual report.

Third Quarter Rayon Production Totals 175,500,000 Pounds

Production of rayon yarn and staple fiber totaled 175,500,000 pounds during the third quarter of 1944, reports the Rayon "Organon," published by the Textile Economics Bureau, Inc. This figure, says the Bureau, under date of Nov. 10, represents a drop of 3,400,000 pounds or 2% from the total of 178,900,000 pounds produced in the second quarter of the year, but is substantially above the third quarter 1943 output of 166,900,000 pounds. The decline in third quarter production was due primarily to vacation shutdowns. The Bureau's advices further state:

"For nine months ended Sept. 30th, production of rayon totaled 532,600,000 pounds, of which 406,400,000 pounds were rayon filament yarn (278,900,000 pounds viscose + cupra and 127,500,000 pounds acetate yarn) and the balance consisted of staple fiber. In the corresponding 1943 period production of all types totaled 490,700,000 pounds.

"These figures," states the "Organon," "clearly indicate that the 1944 yearly total will be above the 1943 level, particularly in the viscose + cupra field, in which a 12% increase already has been recorded.

"The current issue of the "Organon" contains a chart with accompanying figures, giving a clear picture of the growth of rayon production since 1939. While the increase in output of viscose + cupra rayon yarn was due to natural growth before the war, the increase since 1942 has been due primarily to the rayon tire yarn production.

"The effect of this tire yarn production is clearly indicated in the production record which shows an output of 92,000,000 pounds of viscose + cupra yarn in the third quarter of 1944 as against 73,500,000 pounds in the corresponding quarter of 1941. Acetate yarn output on the other hand was almost even, totaling 41,400,000 pounds in the third quarter this year against 40,700,000 pounds in the corresponding 1941 period. Staple fiber output in the third 1944 quarter totaled 42,100,000 pounds against 35,600,000 pounds in the equivalent 1941 period.

October Rayon Shipments Increase

"Domestic shipments of rayon filament yarn in October totaled 46,900,000 pounds, which compares with deliveries of 44,800,000 pounds in September and 43,900,000 pounds in October, 1943.

"For the ten months ending Oct. 31, 1944, shipments aggregated 439,800,000 pounds, an increase of 8% over the corresponding 1943 figure of 408,100,000 pounds.

"Staple fiber deliveries in October amounted to 14,400,000 pounds against 13,000,000 pounds shipped in September and 13,900,000 pounds in October, 1943. A total of 138,000,000 pounds of staple fiber was shipped during the January-October, 1944 period, 3% above the corresponding period of 1943, when 133,600,000 pounds were shipped.

Producers' Rayon Stocks Decline

"Rayon filament yarn held by producers declined from 7,700,000 pounds on Sept. 30th to 6,700,000 pounds on Oct. 31st, a 13% drop. This compares with producers' stocks of 7,600,000 pounds at the end of October, 1943.

"Rayon staple fiber stocks at the end of October aggregated 2,700,000 pounds against September holdings of 3,000,000 and Oct. 31, 1943 stocks of 2,500,000 pounds."

"Individual Taxes"

(Continued from first page)

his past income, or he uses his credit in order to get the cash, which means that he mortgages his own future income, or the income of the property that he is buying, for the purpose of acquiring those securities.

Now, if we agree thus far with these various tax plans that have come out, that all taxes are eventually borne by individuals, that all taxes are eventually paid out of income, that is as far as we can go. From this point on I have to part company with the postwar tax planners, and I am referring to some of these programs which have been brought out recently, and which, undoubtedly, most of you have seen—the Ruml-Sonne Plan issued by the National Planning Association, the Twin Cities Plan, and the Committee for Economic Development Plan. Because those people and a great many others jump from these premises which I have just laid down to the conclusion that a federal tax plan after the war should draw the bulk of the revenue from the individual income tax. A non sequitur, if I ever saw one!

I must qualify that the the extent of saying the Twin Cities Plan does propose heavy taxes on corporations; but if you will examine their tax rate schedules you will find that even they come under the ban which I am laying down, because they, too, are disposed to rely fairly heavily on the individual income tax.

I am opposed to any federal tax program which would concentrate the bulk of the taxes on the individual income tax, and I oppose if for these reasons: The first is the need for revenue stability; the second is the inadequacy of the income tax as applied to small incomes; and the third, which sums up everything else, is that the net income tax, the net income concept as applied to individuals, is absolutely phoney!

Let me discuss these reasons briefly. The first is revenue stability. I would place that in the very forefront of any tax plan that is going to be worth the paper it is written on for postwar use. In other words, we shall have confronting us after the war fiscal obligations of such magnitude that we can not afford to take any chances with a tax program or a tax system which is not as dependable and stable, from the standpoint of bringing in the money year after year, bad years as well as good years, the thick years and the thin years, as we can possibly devise.

That is our only defense, as I see it, against resort to inflationary pump-priming spending, the kind of thing that some people are all too ready to foist upon us, the kind of thing that the compensatory spenders are all too ready to have us engage in. Because if you have a revenue system that is highly unstable, and in some years the revenues from the established taxes fall off badly, then, of course, the door is open, and your are right in their alley—you are right where they want you to be when they say, "Well, we must maintain these government expenditures. We have got the relief and the subsidies and all these other things, and, since the taxes aren't doing the job, we must resort to these pump-priming deficits."

In addition to basing my argument on the logic of the case, I will ask you to direct your attention to the English experience. England has a revenue system under which the division between the direct type of tax, the tax on incomes, and estates, and so on, as against the indirect type of tax, the tax derived from excises and other forms of indirect taxation, is approximately 50-50. Since 1925—and you could find that same balance, I am sure, if you went back further than that—but since 1925 the English revenues have varied only in minor degree from a 50-50 division between the direct and the indirect taxes; and if you will also examine the record of the English budget and the total of the English revenues, you will find that because of that kind of broad tax base the British Government was enabled to carry on through the period from 1925 to 1939—we will have to exclude the years since then because of abnormal circumstances which necessarily exclude them from the picture—they carried on with a net deficit of something like 37 million pounds, over a fourteen or a fifteen year period—140 million dollars, if you want to give the pound something like the present rate of exchange, during that period.

Contrast that with our own federal experience during the same time. You know that under the type of tax system which we have had—for the Federal Government, I mean—the revenues from the income tax have been extraordinarily unstable. They went all to pot in the early years of the 1930's; and because we were so thick-headed in those years as to sink or swim, survive or perish, with the taxes we then had, without having the gumption to put in something else that would do the job, Mr. Hoover had to begin that series of notorious deficits for which he was so roundly condemned in 1932 by the then candidate for President, and who then proceeded on his own account to give Mr. Hoover both cards and spades and beat him at his own game.

None of that would have been necessary if we had had a properly diversified and a properly broadened type of tax system; and I have always regarded it as one of the curious ironies of history that one of the gentlemen in Congress at that time, who was most responsible in defeating the kind of tax that would have saved the credit of the United States in 1932, is now completely dependent upon that same kind of tax for the solvency of his own city. The Honorable F. H. LaGuardia, in Congress in 1932, was one of the leaders in the fight against the sales tax, and succeeded in killing it. And you know, of course, what the sales tax has done and will do and is continuing to do for New York City finances.

Because I attach a great deal more importance to revenue stability than I do to a lot of the romantic and idealistic nonsense about income taxation, than some people do, I say that we have got to keep our feet firmly planted on the ground instead of on a cloud bank, and we would be very foolish to consider any scheme of taxation which doesn't put assured and stable revenues in the very forefront.

In the second place, I think it is unwise to rely on the individual income tax, because I consider it a very inadequate method of taxing persons with small incomes. You remember that over the past half-dozen years there was a great hue and cry about broadening the tax base. Everybody, from the august editors of the New York "Times" on down the line, believed the best way to broaden the tax base was to reduce the exemptions of the income tax and so bring in a great many more persons under the income tax. In other words, everybody, or almost everybody, in those days had this single-track idea. The income tax being the best of all possible taxes, therefore the way in which to collect the public revenues by means of the best of all possible taxes is to push the income tax down and out until you get everybody under the income tax tent.

As a matter of fact, we did that. We brought in a great many million persons, who had never paid income taxes before, by this process of lowering the exemptions. One of the Congressional committees, either a House or a Senate committee, stated that under the 1941 Act, with the reduction in exemptions which that Act provided, we were going to get 303 million dollars of additional revenue. Of course, we were only going to get 47 millions of it from the new taxpayers, the people who were brought in at the bottom; the other 250-odd millions were going to come from those who were already income tax payers.

In connection with the 1942 Act, which reduced the exemption level still further, they said that we were going to get a billion, one hundred millions of additional revenue, but only 100 millions would come from the additional new taxpayers who would be brought in; the billion dollars came from those who were already paying income tax.

Now, since 1942 we have introduced withholding, and it is true that persons who are working for salary and wages are caught by this income tax. There isn't much question about the efficacy of withholding, so far as reaching the employees of the country is concerned, but withholding is a very limited device. I have nothing but admiration for it, I thoroughly approve of it; but when you consider that there are still large groups in our population who are not and can not be subjected to withholding, you have to recognize that that is not the answer so far as the entire group of persons with both small and large incomes is concerned.

For example, withholding doesn't reach the farmer class at all. The entire mass of farm income is still subject to declaration. There is nobody to withhold from the farmer. It doesn't reach any of the self-employed. And in the aggregate I suppose there are a million or more of such persons, possibly more than that, when you take all of the small and large business men, and all of the people in the professional classes, and so on. If there is anybody here who is withholding for his domestic help, I would be glad to have him raise his hand. I doubt if withholding is really effective so far as the income tax payable by domestic help in these days. So you have there one large, one medium, and one respectably sized group in the population to whom withholding doesn't apply at all, and to whom it can not be applied.

So I think, with all of its advantages and all of its virtues, the idea that you can push the income tax down and out until you reach the periphery of the nation, and apply it to everybody, is just plainly not so. That it has very definite limitations there can be no question.

In the third place, the tax consciousness argument, the argument that everybody ought to pay income tax, because in that way he is made conscious of his stake in the government and of what the government is costing, and, therefore, is likely to become a citizen interested in good and efficient government, is only a pious hope. It has no connection with the facts whatever.

Of course, if we get mad enough about a tax we are likely to do something, but anybody who can point out where a body of irate citizens, persons who have become irate over a tax which they didn't like, have marched to their city hall or their state capitol or to the national capitol and demanded better government, better use of their money, I think he deserves the plush-bound album, first prize. There "ain't no such" manifestation that I know of. We are likely to do other things, and people have all through history done other things when they didn't like a tax.

The English of the 18th Century didn't like the excise taxes which they substituted in those days for the personal property tax, excise taxes on imported liquors and tobacco. They didn't take it out against George III, pointing out that his government was corrupt and inefficient and costly, and because they had to pay this excise tax they wanted more for their money. Not at all! Their tax consciousness took the direction of evading the excise. Smuggling was one of the most prosperous businesses in the British Empire in the 18th Century, and slugging or knifing the excise collectors on a dark stretch of seacoast or in a dark alley was one of their favorite pastimes. That was the direction their tax consciousness took. It found no expression in Whitehall whatever.

We had a sales tax over in New Jersey a few years ago under Harold Hoffman as Governor. It lasted about six months. Well, it created tax consciousness, I will admit, a violent stage of tax conciousness, but nobody went to Trenton and said, "Now, here, we see where these pennies and nickles and dimes are going: we want you to give us better government for less money." No! They promptly marched in on the Legislature and served notice they they had to repeal that tax.

So don't talk to me about tax consciousness. It just won't work. If it should happen to take the direction of going down to your capitol and demanding better government, it would just be a miracle. It would be just as fortuitous as the lightning striking at a particular spot the next time it came. If you want to get a consciousness of the citizens in more government for less money, I would advise you to organize a taxpayers association, and light that particular fire under them and keep it lit, and then you will get some action. You can't do it by any kind of a tax with any certainty; so whether they pay income tax or some other, it is, in my opinion, of no consequence whatever.

Now, I said that I objected to this extreme use of the income tax also, because I think it is all phoney. It is curious how the American people could have been sold, for over thirty years, a gold brick of the dimensions which they have bought with such alacrity. I am talking now about individual net income. I say "there ain't no such animal." There is no such thing as a personal net income. Net income is a business concept. It means the amount that is left over out of the receipts of a business after you have paid all of the costs of producing that article or that service which you sold in order to get the receipts.

The Treasury doesn't even well construe and well administer the net income concept as applied to business, as you doubtless know, as I hardly need to elaborate; but what we have done, curiously enough, and I suspect under the influence of the professors—what we have done has been to carry over into the field of individual taxation a pure business concept, something which has application in the field of business but which has no application whatever in the case of the individual.

I am talking now about earned income, and, in order to apply it in the case of the individual, you would have to think of each one of us as a human-machine operating for the purpose of producing income. That is what the business is. It is an institution which operates for the purpose of producing income. You permit deduction from the gross receipts of the business of all of the necessary, legitimate expenses of producing that income, and the balance is what you can call the net net income. That isn't true until you allow complete deduction for all prior losses: and I think you ought to go clear back through the history of the business, to the very beginning of it, and allow the deduction of losses before you can even say that in any accounting year there is something that can be taken out of the business without doing it harm. All right. But let us suppose you have got that. If you are going to apply this idea to the individual as a machine operated for the purpose of producing income, then you should allow as deductions all of the expenses of producing that income; but that isn't done. What we have done, you see, in this transplanting of the concept from the business field to the case of the individual, is to allow the individual certain deductions, certain expenses, those which are analogous to and identifiable with expenses that will be deductible if incurred by a business concern.

For example, the individual can deduct taxes—at least taxes on property. He can deduct interest on debt. He may deduct losses on account of bad debts; and he can deduct travel expense, and so on. But note what a curious anomaly you get into, especially with this most recent provision which clarifies and makes definite now the fact that a person incurring travel expense in the course of earning his living, may deduct it. If he is a salesman, and he is out on the road, his expense is deductible; and if he is reimbursed for the expense by the employer, why, that simply doesn't count as a part of his income at all, it is deductible. He has to eat, of course, on the road; but when he gets home he can't deduct it any longer. Well, now, he has to eat when he is at home, too, doesn't he? And the very fact that the money you spend for meals in a restrauant on the road is deductible expense, but the money you spend in buying the provisions that your wife cooks for you at home is not deductible, shows the kind of irrationality that there is back of this concept. And I will go further and say that we have not been honest with the individuals because we have not allowed them the deduction of everything that is deductible to a business.

For example, if a machine breaks in the factory, the cost of repairing that machine is a part of the deductible expense of the business. You can't keep on producing goods until you get that machine fixed, so, of course, the cost of repairs is deductible. But suppose that the worker breaks a leg. His repair bill is not deductible. Oh, of course, we have now got that screwy 5% provision in the law, and if you run into a doctor bill or a hospital bill that is so big that it exceeds 5% of your net income, then you may deduct the amount over 5%. What a sweet arrangement it would be for a business if you said, "Well, all right; you can have breakage in the machinery and so on in the factory, but you may deduct only that part of the cost of repairs which exceeds 5% or 10% of your net income; the rest is not deductible"!

The machines in the factory wear out, and, of course, depreciation is a legitimate deduction. The individual depreciates, too, but you can't charge off any depreciation against your gross receipts as an individual. And yet, if you are going to be honest with the concept of net income why shouldn't you be allowed to depreciate your earning capacity?

One of the best ways in which an individual can charge depreciation or provide against the inevitable depreciation that will occur is to carry some insurance; and if we are going to be honest with him, we ought to say, "All right; whatever you actually pay by way of insurance premiums is a deductible expense against the earning of your income; because we can look ahead to the time when you won't earn income any more, you have got to live on your annuity or you have got to take the cash value of your policies at 65 and make that last the rest of your life," and so on. No, we don't do that.

As I said, if the factory couldn't

deduct its fuel expense it would be in a sweet situation. Well, if you look upon the individual as an income-producing machine, it has got to have fuel, too, just as the factory does; and your food cost is the complete analogy to the fuel cost in the factory. If you don't stoke the worker he won't run any more than the engines in the factory, but you can't deduct that.

Well, you see, they get all mixed up, and the professors were all mixed up long ago; and because they were mixed up, because they were dreaming rather than living, they got this idea of the individual as a citizen, and the individual's relation to the state, all mixed up with the idea of the individual as an economic unit and an economic machine operating to produce income, and so they said, "Well, whatever you spend in your household for living expenses, and so on; domestic help and all that; clothing and everything else, that is personal or living expenses." Nuts! It is what you have to spend in order to earn income, as a matter of fact.

Of course, you have to eat to live, too; but, as a matter of fact also, it is what you have to spend in order to get on the job the next day and be on the job the next week and earn this income which the government says belongs to it.

Take advertising! A business concern can deduct its advertising. The individual can't. Now, I suppose the professional man, like an architect or an engineer, who inserts a card in his professional magazine or journal, can probably deduct the expense of that; I don't know. But take all of us,—the architect or engineer or lawyer who wants to develop and maintain a certain type of client has got to belong to certain clubs. Oh, he gets some personal satisfaction out of it, no doubt; but if he dropped his club membership and never showed up there, and never saw any of these people at lunch, at this or that club, and never met them in any of the other ways where he has to meet them in order to get business, how long would he hold those clients? He would have to be a darned good lawyer to drop out of all that and still keep them coming to his door, instead of having them go to the fellow who maintained his club memberships and did liberal entertaining. It is a legitimate advertising expense.

How many doctors could keep their custom and live on the thousand dollars which the law allows you as a personal deduction for a married man in lieu of all of these other charges? He would have to wear the kind of clothes that a track worker wears, and he would have to live on the other side of the tracks, and nobody would let him in their house to treat them for any kind of a sickness.

All of us have got to spend a certain amount in order to maintain the sort of position that will enable us to earn the income which, as I say, the government claims as its own. Well, you can't deduct for any of those things. I will admit that you get into all kinds of trouble; but here is the point—and that is the answer they would give—the answer is, "We can't distinguish, we can't draw the line. Here is one person who claims he had to spend $50,000 a year on living expense, and we can't let him deduct that; and another person will get along on $10.000, and somebody else on $5,000. We just can't audit all of these claims, so we disallow them." But that only makes more phony, in my opinion, a concept of taxation which has to be ignored because you can't do anything about it.

Well, now. some of the consequences of this error: We have assumed—and when I say we I speak generally and I exclude myself; everybody else has assumed except my self—that what we call net income for the individual is something in the nature of absolute truth; it is just as solid and indisputable as the figure of minus Centigrade which the physicists have said represents absolute cold. When it gets that cold it can't get any colder. It has that same kind of fundamental and unarguable truth about it. So when we say to this person, "You have got a net income of $10,000," or "You have got a net income of $100,000," we have proceeded as if we were talking about something that was just as substantial as the "Rock of Ages" itself, no getting around it, no argument, no question, no nothing. That is the fact. You can't get away from it!

What we have done as a result of that kind of conclusion about it is to say, "We can take any part of this net income that we please, because we are dealing with a fundamental and eternal verity. There is no argument about it. You have got $10,000 of net income, and we can, therefore, proceed to deal with it in the way of taxation as if it were a fundamental and eternal verity," when, as a matter of fact, it isn't anything of the sort. It is the most relative and uncertain and questionable concept that you can possibly imagine in the field of economics; and, therefore, instead of socking it, as we are inclined to do, we should be much more gingerly and much more cautious in the way in which we deal with it.

This brings me to another aspect of individual taxation on which I am also a lone wolf, the leader of practically a one-man procession, and that is progressive taxation. I regard that as the crowning impropriety of the individual income tax. You understand what I mean, the taxation of income at progressive rates according to the amounts.

It is said that we must have progressive taxation because we must tax people according to ability, and then when you turn around and ask somebody to tell you what he means by ability, you find he says that ability means taxation at progressive rates. It is pretty close to a vicious circle; but they all say that this something they call ability increases faster than income. Nobody knows how much faster it increases than income; yet anybody, from the average corn-fed Congressman up, is willing to give you a progressive tax rate schedule. He will write one for you, sure! He will start with a certain per cent on the first bracket and he will go on up to any other percentage that he feels like on the top bracket, and that is his progressive income tax scale. Any other scale is just as good. There is no question of perfection here, because nobody knows what the answer is.

If we were all 100% in agreement as to how much faster ability increases than income, then we would all agree with the ideal progressive rate schedule; but, since there is no final answer there, a tax rate scale that taxed away all income above $5,000 a year by taking 100% of everything over $5,000 is just as good as one which rises to 5% on everything above 100 million dollars. There is no choice between them from the logic of ability to pay or progressive taxation; and some day, if you allow it to go on, you are liable to see a tax rate of 100% on all so-called net income above $5,000; because the great weakness of the ability theory is that they approach it in this way; namely, all this fellow needs out of his income is enough to live on. Now, according to some standards, all anybody needs to live on is $5,000. Since that is all he needs, therefore the state may, with complete propriety. take everything in excess of that amount; and who is to say no? If you are going to proceed on that basis, I think you have got just as good a case for saying that the progressive rate scale should rise to 100% at $5,000 as to say it should rise to 75% at $200,000. There isn't any way of really drawing any line of valid distinction.

Of course, I take the position that these advocates of progressive taxation, advocates of taxation according to ability, have completely misunderstood everything that has happened since Adam Smith; and Adam Smith, of course, was the man who was originally responsible for all of this nonsense, and wrongly so, because he didn't say anything of the sort. Adam Smith said that it is proper for the citizens of the state to contribute in proportion to their respective abilities, and then he went on to explain what he meant by abilities in saying, "That is, in proportion to the revenues which they respectively enjoy under the protection of the state."

Now, what does he mean by revenue? Certainly not net income as we have defined it in our fool income tax laws! My guess is that he meant gross revenues; and when he said that we should pay a tax in proportion to our abilities, he was really talking about a flat rate tax in proportion to gross income; and I think if you had a 1%, 2%, or 5% tax on total individual receipts, as individuals, you would come closer to the kind of taxation according to ability that Adam Smith had in mind, than by any other system. But I think there is more to this cockeyed idea of ability than simply progressive taxation. You will agree, won't you, that whenever anybody talks about ability in these times they don't think of anything in the world except progressive rates? Well, there is more to it than that. Smith himself said there was more to it than that.

Smith said the most important thing in the whole list of four canons of taxation which he mentioned was certainty of taxes. He said you can go wrong a great deal faster by having uncertainty in your taxes than you can by any departure from taxation according to ability; so the tax ought to be certain and not arbitrary. And in the third place Adam Smith said the taxes should be levied at the time and in the manner most convenient to pay them.

There are other taxes than the income tax that will give you certainty and convenience, and in even greater degree than the income tax. So by the time you get all around the idea of ability you certainty don't have to stop and say that everything is bound up in this notion of progressive taxation. And, of course, the people who advocate extremely high rates of progressive taxation are caught with their own trap now in all of these post-war plans. You remember that all three of the plans I mentioned have got very substantial progressive rates, and yet they say at the very outset, "Now, the thing we must have above all is a large supply of venture capital. We have got to have large employment. Everybody must have a job. And in order for everybody to have a job we have got to have lots of new investment, lots of investment in old and new industries—a large flow of investment funds."

Where is it going to come from and why should it come from wherever it is coming? They don't say. They go ahead and stick in tax rates on individuals which make certain that it is not likely to come, and that the revival of the enterprise system upon which they are counting so heavily will simply not take place; because there is no reason in God's world why, with the kind of tax schedules that any of those plans propose, anybody should take the risk that is involved in a new enterprise, or even in an established enterprise, and have to surrender as large proportion as he is likely to have to surrender to the government in case it makes good.

My own answer to the cry of the planners is a very different one. They want a large flow of venture capital. They want enterprise to flourish, and they want plenty of jobs, and so on. I think I can reduce the formula for that to a very simple statement: "If you want to make a dollar by any honest means, you are free to try, and if you succeed you may keep it." If we could have political assurance after the war to everybody—to you and to me and to everybody else, big and little, no matter what you are going into —"Now, all right; if you want to make a dollar by any honest means you are free to try, and, if you succeed, you may keep it," you don't need to look any furthere for a rule of prosperity or anything else that will make the money come and make it provide jobs and make everybody happy and prosperous.

In conclusion, let me come back to the tax planners. It is perfectly obvious, of course, that the amount of taxation we shall have to collect will depend on the Federal budget. I have my own ideas on that. I would say that after we get all through with the war and the reconversion period, and get finally into the beginning of that era of settled business economic conditions—let's say 194X, it may be '48 or '49—if the Federal budget exceeds 12 billion dollars, exclusive of debt retirement and social security, there will be, by that degree, sinful waste somewhere. I don't think we have any case whatever for spending a nickel more than 12 billion dollars by the Federal Government after the war.

In order to do that I am throwing out all of the aids and subsidies and grants and bonuses. I am willing to make reasonable provision for the veterans. I wouldn't give agriculture another damned nickel. I wouldn't spend another nickel on public works for the purpose of providing employment. All of that is out. It is all sinful waste, anyhow. If you have ever looked at the figures showing the distribution of parity payments and soil conservation payments by amounts, you will see what I mean—more than 50% of the farmers getting a check for less than $20, or $20 or less. Just payment for the vote! It can't be anything else. Anybody who knows the first thing about agriculture knows that no farmer can do anything about preserving his land or equalizing for the difference in what he buys and what he sells, with $20. It is just enough to keep him in line, and that is the sole purpose of it.

Well, all right. If we can have that kind of a budget, then anybody, any one of your one-armed clerks down here on the Stock Exchange can write a Federal tax program that will work. It is easy. It is when you begin to throw in all of the extras, all of the billions of dollars for this and that and the other thing, and get your budget up to 20 or 25 billions, that you are going to begin to have trouble. So I would start with 12 billion dollars as the outside figure, no more.

In the second place, again with my respect to the planners, I think it is very foolish in all of these plans to talk about concentrating the taxes anywhere. Two of them—the Ruml Plan and the CED Plan—propose to put the bulk of it on individual income taxes. As I have said before, if we can diversify the tax system—and even granting that individuals have to pay, remember that it is a lot easier to pay it in many ways than it is to pay it in one single way, and a lot better for the stability of the budget—then your rates everywhere can be moderate rates. Moderation in tax rates everywhere should be the keynote. So I think that the individual who pays taxes should be given the privilege of paying his tax in a number of ways. I think we ought to have excise taxes, and I think we ought to have a sales tax; and I will tell you how I would work that, and with this I close: I have already suggested —and some of you may have seen my proposal — an integration of sales tax and income tax. I think we have proved, by our experiment in lowering the exemption level of the income tax, that it simply will not work that far down and work well. What we should do, then, is come back up the line, raise the exemptions on the income tax; and for illustration I will say, "Let's raise them back to $2,000 for a married person." Then suppose we put in a sales tax. Aside from excises and such things, persons with an income below $2,000—and I use that figure merely for illustration—persons with an income below that figure would pay sales tax only. All the rest of us would pay such income tax as might be imposed, and in addition we would have to pay sales tax on the commodities we bought. By that means we would, first of all, reduce the number of income tax payers to, say, perhaps 10 or 12 millions, a number that the Treasury can deal with. They can't deal with 40 or more million individual income tax payers with any adequacy at all. It would reduce the number of income tax payers to such an amount as would make possible the effective administration of their returns—effective examination and verification, and, where necessary, audit.

In the second place, you would make it a great deal easier in the long run for the persons with small incomes to pay their tax. I know you say, "What could be easier than having 20% withheld from the payroll envelope, even allowing for the deductions and all of the elaborate computations that somebody has to go through with in order to make that deduction; what could be easier than that?" Well, I think the sales tax would be easier; because under the withholding plan you don't give the fellow any option at all as to how much tax he is going to pay; he justs gets the deduction and that is all there is to it; but if you gave him the entire amount that he earned and he takes that home, and then it is a question of sales tax—well, if he wants to buy expensive commodities, higher-priced cuts of meat, or higher-priced this and that, he will pay a little more in sales tax. If his wife wants to shop around and buy articles one flight up instead of on the main street floor, and get them for a little less money, one of the reasons why she might be disposed to do so would be the fact that the sales tax amounted to somewhat less. At any rate, you give him a certain control over the amount that he is going to have to pay instead of making it absolutely arbitrary as you would the other way.

In the third place, you have some means of reaching that enormous part of the national income which is not reachable under any income tax. If you have read the CED Plan, you will find that they glory in one thing; they repeat it several times and take a great deal of pride and satisfaction in the fact that 77 billion dollars isn't touched by the income tax at all. Their income tax is concentrated on something like 57 billions of the total of 135 billions. Well, I don't regard that as a matter of any pride or satisfaction at all. I think it is a shame that there will be 77 billions that isn't going to pay any tax at all of any sort, because they don't include a sales tax. If you really want to broaden the tax base in the most effective way, then you will put in the type of tax that will reach out and cover practically all, or at least potentially all, of the income payments that are made, instead of the kind of thing that is limited to only a minor fraction of the total.

Steel Operations Maintained At High Level—First Quarter Needs Placed Above Capacity

"Swept by the tide of orders placed and commitments made in the past two weeks, the early 1945 steel production pattern has been clarified," states "The Iron Age" in its issue of today (Nov. 16), which further goes on to say: "Steel makers this week are in possession of production probabilities which leave them somewhat less in a quandary than was the case a few weeks ago. Furthermore, grounds for more optimism on an orderly reconversion period are found in the statement by Hiland Batcheller, WPB chief of operations, who in New York this week pledged that the WPB would soon give to all industry, in advance, the blueprint of treamlined regulations which would become effective when Germany is defeated.

"Barring unexpected developments in the European War, shell steel will replace plates as the controlling factor in the steel product mix. Plate directives are expected to be cut further as maritime demand continues to drop. Recent reports indicate that the Maritime Commission's steel needs for the first quarter of 1945 will be roughly about one-half of what they are for the fourth quarter of this year.

"With fewer plate commitments to fill, the steel industry will be in a better position to dig into the mass of sheet orders which have drifted high on mill order books in recent weeks despite substantial cancellations. The easing in the lighter gauges of flat rolled items may mean that heavier production of galvanized sheets—long a market thorn—and tin plate can be undertaken.

"The Office of Defense Transportation has asked the WPB to give the railroads 2,400,000 tons of their requested 2,900,000 tons of the 1945 rail program, of which 600,000 tons is asked for in the first quarter.

"Almost alone among consumers holding allotments, the farm implement industry is outstanding in its willingness to make commitments beyond the first quarter. Because of manpower delays in production schedules, this industry in many cases finds its inventories climbing, with some makers showing signs of trouble in holding stocks to the 60-day requirement.

"Cancellations within the past several weeks have been an important factor in the steel market with one mill piling up as much as 500,000 tons in that category. Most of this was spread out for delivery well into 1945. Termination of such business is proceeding in good order with at least 75% of the terminated contracts either settled or applied to other orders. Currently, steel mills are not having too much difficulty in plugging up the gaps left by cancellations, but this may be another story as the production pattern for early 1945 develops.

"The trend in scrap prices this week appeared to be definitely upward, but the magnitude of this movement is still to be determined. Heavy melting steel and associated grades are higher at Pittsburgh. Increases occurred at other centers also. The 'Iron Age' scrap composite price is up 16 cents a gross ton this week to $16.08 a gross ton."

The American Iron and Steel Institute on Nov. 13 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 96% of capacity for the week beginning Nov. 13, compared with 96.3% one week ago, 97% one month ago and 97.8% one year ago. The operating rate for the week beginning Nov. 13 is equivalent to 1,727,000 tons of steel ingots and castings, compared to 1,732,400 tons one week ago, 1,745,000 tons one month ago and 1,704,600 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Nov. 13 stated in part as follows:

"Sustained steel production through first quarter seems assured by requirements certified to the War Production Board for that period, which are equal to 110% of production capacity.

"This total will be reduced and the excess will be considered by the board Nov. 17. The chief cutbacks are expected to be in aircraft and shipbuilding. Many steel users have reversed their thinking as to the end of the European war and the need for steel to support the armed forces. Optimism following the invasion has given way to the belief the campaign will be much extended and need for munitions will continue. It is believed the war contractors cut inventories too closely and now are seeking to rebuild for a longer pull. Recent expectation that steelmaking would decline toward the end of the year now seems unlikely. Buying is sufficient to more than balance cancellations in most instances. Most deliveries now run into next year, in many cases into second quarter. Result of the national election has had no appreciable effect on the market.

"Scrap decline has checked and seems to have spent its force, though there are some changes in various districts.

"Iron ore shipments from Lake Superior mines in October were 10,594,988 gross tons, a decrease of 1,017,544 tons, or 8.76% from the corresponding month last year. Withdrawal of ships to carry grain was a factor in this. Season shipments to Nov. 1 totaled 76,498,172 tons, compared with 76,714,837 tons to the same date a year ago. The loss was 216,665 tons. Ore stocks are deemed sufficient to support the high rate of steel production through the winter."

Steel Output Rose in October

Steel production in October totaled 7,578,304 tons of ingots and castings, the greatest production since May of this year, reports the American Iron and Steel Institute, which further added:

"The October production was substantially above output of 7,193,496 tons in September but was below the record month of October last year, when 7,814,117 tons were produced.

"Total steel production in the first ten months of 1944 was reported at 74,777,771 tons, as against 74,209,247 tons in the corresponding period of 1943.

"During October the industry operated at an average of 95.1% of capacity, as against 93.4% of capacity in September and 101.2% in October a year ago.

"An average of 1,710,678 tons of steel was produced per week in October, compared with 1,680,723 tons per week in September and 1,763,909 tons per week in October, 1943."

Resume Parcel Post Service To Reunion (Bourbon) Is.

Postmaster Albert Goldman announced on Nov. 9 that information has been received from the Post Office Department at Washington, that effective at once, parcel post service is resumed to Reunion (Bourbon) Island. The advices state:

"Parcels will be limited to 11 pounds in weight and there has been some increase in the postage rates, but otherwise the parcels are subject to the conditions applicable prior to the suspension of service. Parcels must comply with the licensing requirements of the Foreign Economic Administration.

FHA Insured Mortgage Financing In Reconversion

(Continued from first page)

could be constructed—as limited by the War Production Board's Critical List, various limitation and conservation orders, and the War Housing Construction Standards; and (3) **How** housing could be used—under controls providing for occupancy by immigrant war workers, and the production of houses for rent or for sale.

With the war housing program rapidly nearing completion, the home building reconversion period draws closer. As a matter of fact we are right now entering that stage in the change-over from a wartime to peacetime status. Specific evidence of the transition will be the gradual relaxation of restrictions on materials and standards that affect the physical aspect of dwellings. With freedom in the selection of building materials and when people can build the kind of houses they want, where they want them—so far as FHA's Minimum Construction Requirements and Property Standards are concerned — the Federal Housing Administration can resume the insurance of mortgages on eligible dwelling properties under the pre-war provisions of Title II.

Restrictions on the availability of dwellings for normal occupancy and whether they are required to be held for rent or sale removes the element of a free market desirable to mortgage and real estate transactions. So long as these restrictions are in effect, the construction of privately financed housing remains in the war housing category. Many war workers who could qualify as owner-occupants under the programming requirements could not pass the credit requirements necessarily essential to Title II financing. Present earning capacity of many war workers is not a safe guide to their future financial position. Credit investigations of these borrowers must relate present earning capacity to that of the past and must project their employment opportunities and earning capacity into the future.

In the coming transitional period, in some localities, consideration also will have to be given to the market assimilation of war housing by owner-occupants and continued occupancy of war rental housing. That factor will have to be recognized particularly in the case of new construction that is in competition with the war housing price class or type. Until there is evidence of the absorption of war housing in the market demand, and there is an unrestricted free market for real estate transactions, it appears advisable to insure the financing of new dwellings under the provisions of Title VI, as long as sufficient insurance authority is available.

The Federal Housing Administration has been authorized by Congress to insure mortgages on war housing under Title VI up to a total of $1,700,000,000. On September 30 insurance issued had reduced the amount available for further war housing insurance operations to $60,000,000. At that time applications were under examination involving mortgages aggregating $15,000,000, leaving available insurance authority under Title VI at present in the neighborhood of $45,000,000.

With the termination of the European war, it may be anticipated that home building limitations probably will be relaxed sufficiently to permit some resumption of insured mortgage financing under the pre-war provisions of Title II. When the real estate market warrants full resumption of mortgage insured financing of new dwelling construction, the Federal Housing Administration will be in a strong financial position and there will be ample insurance authority available.

The top limit of FHA's insurance authority under Title II at present is four billion dollars. In June, 1942, insurance issued had reached a total of more than three and three-quarter billion dollars, leaving less than two-hundred million dollars available for further insurance commitments. Following the decision to insure all new dwelling construction under Title VI, together with the fact that amortization of mortgage principal and mortgage terminations have proceeded faster than new business has been added, outstanding mortgage insurance totaled less than $3,300,000,000 on June 30, 1944. The amount of unused Title II insurance authority at present has increased to something over $730,000,000.

In addition to the increased insurance authority that will be available under Title II, when peacetime operations are resumed, the President has the authority to increase this amount by another billion dollars if necessary. Available insurance authority therefore should be ample to permit new construction to proceed without delay, and without further legislation by Congress, under the FHA-insured plan of mortgage financing.

The Federal Housing Administration's future mortgage insurance operations are not concerned solely with a peaceful resumption of Title II financing of owner-occupied homes. New problems must be faced after the war. Particularly in rental housing there must be a searching for improved methods whereby the FHA may assist builders and lenders in assuming risks involved in the housing of the lower middle income workers.

In pre-war years much success was achieved in insuring sound large-scale rental projects under Title II. In the post-war period it should be possible to extend greatly this type of building activity. The need for this type of housing is especially acute in the older urban areas. Unfortunately, until municipalities have developed a satisfactory method and plan for rebuilding, the FHA is forced to adopt an attitude which reflects an unsatisfactory risk.

By assuming full risks of reconstruction in blighted areas, the Federal Housing Administration would be performing a disservice to lenders. Not to recognize the hazards involved would be a misleading indication that outmoded residential areas of cities will produce satisfactory mortgages for a 20 to 27-year period. Even if it is good housing, it is not a good mortgage risk, if located in unpleasant, unsuitable surroundings. Whether a new housing project is a good or poor risk in a developed urban area, depends upon significant factors relating to land use, planning, transportation facilities and adjacent neighborhood structures.

While FHA's policy under present conditions appears to be negative in older urban areas, the Administration does find it possible to assist or cooperate in civic improvement plans. Several large-scale proposals for housing projects in redevelopment areas are being considered and it is to be hoped that many others will be undertaken as soon as conditions are favorable.

The purpose of FHA is to aid private enterprise by assuming risks which private lending agencies believe they cannot assume without such assistance. Congress did not intend FHA to serve as a government subsidy to home building. The basis upon which FHA operates is the same as any other insurance venture in which losses are distributed among a large number of participants.

When and where the element of business risk is absent in home building undertakings, it is presumed that private enterprise can operate free from government assistance. When possible losses are shared by the many, risks too great for an individual to bear become of less consequence. The Federal Housing Administration expects to assume reasonable risks in housing activities and to keep in step with changing conditions.

Forecasting Election Results

(Continued from first page)

workers to begin immediately to "save up money for a rainy day." It surely is coming. Moreover, this would still be true if the election had gone the other way.

Free Enterprise to Be Tested

Both candidates at heart believed in "free enterprise" **so long as it will keep people employed.** When, however, it does not prevent unemployment the voters surely will demand that something be done. This "something" will be quack remedies contrary to the spirit of free enterprise.

Certainly, much will be done for the returning soldiers, sailors and airmen. Some of this aid will be uneconomic and wasteful; but Washington will be driven to it. Such action will help along the inevitable inflation and some day cause us a lot of trouble. This, however, should not come until around 1950.

Conclusions

In short, conditions make Presidents; rather than do Presidents make conditions. The masses of the entire world are on the march. Neither Roosevelt nor Dewey nor an undecided election can stop them. It is a mistake to try to block them as did Avery of Montgomery Ward; it is a mistake to cheer them as have many politicians during the past two months. The wise man will attend to his own business, keep out of debt, educate his children to be useful and wait for these masses to learn their lesson through experience.

As to the effect of the elections on the markets, I expect no more changes than have already occurred. I am bearish on municipals and other high-grade bonds; but am still bullish on most well-selected stocks. I do, however, not like the rails, aircrafts or shipping stocks for the next four years.

Jesse Jones Comments On Surplus Plant Sale

The following statement was released to the press Oct. 21, 1944, by Jesse H. Jones, Secretary of Commerce:

"Announcement that a war plant is to be offered for future lease or sale by the Reconstruction Finance Corporation does not mean that production for war is to be stopped in that plant or that workers are to be laid off. As a result of long-range planning covering many months, Defense Plant Corporation has made a catalogue of its plants giving sizes and locations so that any who may be interested in one or more of the plants for post-war use will have the information. I am making this statement because distribution of the catalogue has been misinterpreted in a few instances. As a matter of fact, only one DPC plant now in war production has been advertised for sale. That was because the present operators wanted to negotiate for its purchase at this time so as to be able to plan its conversion to civilian production after it is no longer needed for the war effort. The advertisement stated that the plant would remain in war production as long as needed and the catalogue stated that all plants would remain in war production as long as needed."

National Fertilizer Association Commodity Price Average Increases Slightly

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Nov. 13, increased fractionally to 139.5 in the week ending Nov. 11 from 139.3 in the preceding week. A month ago the index stood at 139.5 and a year ago at 134.8, based on the 1935-1939 average as 100. The Association's report continued as follows:

The farm products group is mainly responsible for the slight rise in the weekly wholesale commodity price index. The livestock group trended upward as higher prices were quoted for cattle, hogs, lambs, and ewes. No items declined in this group. Lower prices for corn and some grades of wheat more than offset higher prices on rye and other grades of wheat, causing a decline in the grains group. The foods group marked its first decline in five weeks. This fractional decline was caused by lower prices for potatoes. The textiles group moved into higher ground as the result of slightly higher quotations on spot raw cotton. A higher price for scrap steel was not sufficient to change the metals index number. The miscellaneous commodities group was the only other group index to change as lower prices were given for some forms of sole leather and tanned hides.

During the week 10 price series in the index advanced and 4 declined; in the preceding week 7 price series advanced and 10 declined; and in the second preceding week 8 series advanced and 9 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Nov. 11, 1944	Preceding Week Nov. 4, 1944	Month Ago Oct. 14, 1944	Year Ago Nov. 13, 1943
25.3	Foods	143.7	143.9	142.8	139.9
	Fats and Oils	145.1	145.1	145.1	146.1
	Cottonseed Oil	163.1	163.1	163.1	161.3
23.0	Farm Products	164.6	163.4	165.2	151.7
	Cotton	204.1	202.3	206.5	186.8
	Grains	157.3	158.8	161.6	157.7
	Livestock	161.0	159.0	160.2	143.8
17.3	Fuels	130.4	130.4	130.1	122.8
10.8	Miscellaneous commodities	133.2	133.4	132.2	131.4
8.2	Textiles	155.1	154.9	155.5	149.9
7.1	Metals	104.0	104.0	104.1	104.4
6.1	Building materials	154.1	154.1	154.0	152.4
1.3	Chemicals and drugs	126.1	126.1	126.1	127.7
.3	Fertilizer materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.8
.3	Farm machinery	104.7	104.7	104.7	104.2
100.0	All groups combined	139.5	139.3	139.5	134.8

*Indexes on 1926-1928 base were: Nov. 11, 1944, 108.7; Nov. 4, 108.5; and Nov. 13, 1943, 105.0.

Electric Output for Week Ended Nov. 11, 1944 Declined 1.9% Below the Same Week in 1943

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Nov. 11, 1944 was approximately 4,396,595,000 kwh., compared with 4,482,665,000 kwh. in the corresponding week a year ago, a falling off of 1.9%. The output for the week ended Nov. 4, 1944, was 1.3% below that in the similar period in 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	Week Ended			
Major Geographical Divisions—	Nov. 11	Nov. 4	Oct. 28	Oct. 21
New England	1.7	*0.0	*1.1	0.1
Middle Atlantic	*5.0	*4.0	*6.8	*5.6
Central Industrial	*0.7	0.5	*0.6	*0.5
West Central	3.6	2.6	2.9	3.4
Southern States	2.8	2.4	1.8	2.6
Rocky Mountain	*12.2	*10.6	*10.9	*11.8
Pacific Coast	*3.2	*0.3	*0.0	*0.5
Total United States	*1.9	*1.3	*2.1	*1.6

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Aug. 5	4,399,433	4,240,638	+ 3.7	3,637,070	1,415,122	1,729,667
Aug. 12	4,415,368	4,287,827	+ 3.0	3,654,795	1,431,910	1,733,110
Aug. 19	4,451,076	4,264,824	+ 4.4	3,673,717	1,436,440	1,750,056
Aug. 26	4,418,298	4,322,195	+ 2.2	3,639,961	1,464,700	1,761,594
Sept. 2	4,414,735	4,350,511	+ 1.5	3,672,921	1,423,977	1,674,588
Sept. 9	4,227,900	4,229,262	— 0.0	3,583,408	1,476,442	1,806,259
Sept. 16	4,394,839	4,358,512	+ 0.8	3,756,922	1,490,863	1,792,131
Sept. 23	4,377,339	4,359,610	+ 0.4	3,720,254	1,499,459	1,777,854
Sept. 30	4,365,907	4,359,003	+ 0.2	3,682,794	1,505,219	1,819,276
Oct. 7	4,375,079	4,341,754	+ 0.8	3,702,299	1,507,503	1,806,403
Oct. 14	4,354,575	4,382,260	— 0.6	3,717,360	1,528,145	1,798,633
Oct. 21	4,345,352	4,415,405	— 1.6	3,752,571	1,533,028	1,824,160
Oct. 28	4,358,293	4,452,592	— 2.1	3,774,891	1,525,410	1,815,749
Nov. 4	4,354,939	4,413,863	— 1.3	3,761,961	1,520,730	1,798,164
Nov. 11	4,396,595	4,482,665	— 1.9	3,775,878	1,531,584	1,793,584
Nov. 18		4,513,299		3,795,361	1,475,268	1,818,169
Nov. 25		4,403,342		3,766,381	1,510,337	1,718,002
Dec. 2		4,560,158		3,883,534	1,518,922	1,806,225

Bank Debits for Month of October

The Board of Governors of the Federal Reserve System issued on Nov. 10 its usual monthly summary of "bank debits," which we give below:

SUMMARY BY FEDERAL RESERVE DISTRICTS
(In millions of dollars)

			—3 Months Ended—	
Federal Reserve District—	Oct. 1944	Oct. 1943	Oct. 1944	Oct. 1943
Boston	3,403	3,272	9,525	10,369
New York	30,907	26,140	88,484	79,821
Philadelphia	3,132	2,931	9,239	9,423
Cleveland	4,806	4,572	14,128	13,958
Richmond	2,747	2,665	7,997	8,001
Atlanta	2,519	2,359	7,378	7,004
Chicago	11,792	10,483	33,624	32,570
St. Louis	2,141	2,186	6,069	6,159
Minneapolis	1,522	1,467	4,316	4,406
Kansas City	2,389	2,277	7,185	6,882
Dallas	2,092	1,909	6,185	5,795
San Francisco	6,412	6,007	19,244	18,249
Total, 334 centers	73,861	66,266	213,375	202,638
*New York City	28,558	23,990	81,584	73,124
*140 other centers	38,308	35,614	111,404	109,425
193 other centers	6,996	6,663	20,387	20,089

*Included in the national series covering 141 centers, available beginning in 1919.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Nov. 14	119.80	112.75	118.40	117.00	112.93	103.30	107.62	113.31	117.40
13	119.80	112.75	118.40	117.00	112.93	103.30	107.62	113.31	117.60
11	Stock Exchange Closed								
10	119.77	112.75	118.40	117.00	112.93	103.30	107.62	113.31	117.40
9	119.73	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.40
8	119.77	112.56	118.20	116.80	112.93	103.30	107.62	113.12	117.20
7	Stock Exchange Closed								
6	119.67	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.20
4	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20
3	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20
2	119.55	112.56	118.40	116.80	112.93	103.30	107.44	113.31	117.20
1	119.55	112.56	118.40	116.80	112.93	103.30	107.62	113.31	117.20
Oct. 27	119.33	112.56	118.40	116.61	112.93	103.47	107.62	113.50	117.20
20	119.55	112.75	118.60	116.80	112.93	103.64	107.44	113.50	117.40
13	119.61	112.75	113.60	117.00	112.93	103.47	107.27	114.08	117.20
6	119.52	112.75	118.60	117.00	112.75	103.30	106.92	114.08	117.20
Sep. 29	119.50	112.56	118.60	116.80	112.56	103.13	106.74	114.08	117.00
22	119.22	112.56	118.60	117.20	112.37	103.13	106.74	114.08	117.20
15	119.42	112.56	118.80	117.20	112.19	103.13	106.74	114.27	117.20
8	119.48	112.56	118.80	117.20	112.00	103.13	106.74	114.27	117.00
1	119.81	112.56	118.80	117.20	112.00	103.13	106.74	114.27	117.20
Aug. 25	119.89	112.75	118.80	117.40	112.19	103.30	106.74	114.27	117.20
18	119.84	112.56	118.60	117.20	112.37	103.30	106.92	114.08	117.20
11	119.84	112.56	118.60	117.00	112.37	103.30	106.92	114.08	117.20
4	120.08	112.56	118.80	117.00	112.19	103.30	106.74	114.08	117.20
July 28	120.10	112.37	118.60	116.80	112.19	103.13	106.56	114.27	117.00
June 30	120.15	112.37	118.60	116.80	112.00	102.80	106.04	113.89	117.40
May 26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
High 1944	120.44	112.75	118.80	117.40	112.93	103.64	107.62	114.27	117.60
Low 1944	119.20	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.35	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago Nov. 13, 1943	119.90	110.70	118.80	116.22	111.07	98.41	103.30	113.50	116.02
2 Years Ago Nov. 14, 1942	117.36	107.62	117.20	114.27	108.70	92.50	97.16	112.00	114.66

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Nov. 14	1.85	3.02	2.73	2.80	3.01	3.55	3.30	2.99	2.78
13	1.85	3.02	2.73	2.80	3.01	3.55	3.30	2.99	2.77
11	Stock Exchange Closed								
10	1.86	3.02	2.73	2.80	3.01	3.55	3.30	2.99	2.78
9	1.86	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.78
8	1.86	3.03	2.74	2.81	3.01	3.55	3.30	3.00	2.79
7	Stock Exchange Closed								
6	1.86	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.79
4	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.79
3	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.79
2	1.87	3.03	2.73	2.81	3.01	3.55	3.31	2.99	2.79
1	1.87	3.03	2.73	2.81	3.01	3.55	3.30	2.99	2.79
Oct. 27	1.89	3.03	2.73	2.82	3.01	3.54	3.30	2.98	2.79
20	1.86	3.02	2.72	2.81	3.01	3.53	3.31	2.98	2.78
13	1.85	3.02	2.72	2.80	3.01	3.54	3.32	2.95	2.79
6	1.85	3.02	2.72	2.80	3.02	3.55	3.34	2.95	2.79
Sep. 29	1.84	3.03	2.72	2.81	3.03	3.56	3.35	2.95	2.80
22	1.86	3.03	2.72	2.79	3.04	3.56	3.35	2.95	2.79
15	1.83	3.03	2.71	2.79	3.05	3.56	3.35	2.94	2.79
8	1.84	3.03	2.71	2.79	3.06	3.56	3.35	2.94	2.80
1	1.81	3.03	2.71	2.79	3.06	3.56	3.35	2.94	2.79
Aug. 25	1.81	3.02	2.71	2.78	3.05	3.55	3.35	2.94	2.79
18	1.81	3.03	2.72	2.79	3.04	3.55	3.34	2.95	2.79
11	1.81	3.03	2.72	2.80	3.04	3.55	3.34	2.95	2.79
4	1.79	3.03	2.71	2.80	3.05	3.55	3.35	2.95	2.79
July 28	1.79	3.04	2.72	2.81	3.05	3.56	3.36	2.94	2.80
June 30	1.79	3.04	2.72	2.81	3.06	3.58	3.39	2.96	2.78
May 26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.77	3.02	2.71	2.78	3.01	3.53	3.30	2.94	2.77
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago Nov. 13, 1943	1.84	3.13	2.71	2.84	3.11	3.85	3.55	2.98	2.85
2 Years Ago Nov. 14, 1942	2.05	3.30	2.79	2.94	3.24	4.24	3.93	3.06	2.92

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Associated Hospital Service Lifts Restrictions; Extends Benefits to Individuals

Louis H. Pink, President of the Associated Hospital Service of New York, has announced the temporary lifting of restrictions on the enrollment of individuals in order to extend the benefits of prepaid hospital care to New Yorkers who cannot join the organization in groups. The new provisions, which include a waiver of medical examination and questionnaire for applicants and their families, are embodied in a simplified application form which will be available to persons in good health not over 60 years of age during the period of Nov. 13 to Dec. 15. The announcement issued Nov. 13 says:

"The simplified enrollment procedure will affect, for the most part, individuals who are self-employed, unemployed, or employed in small firms with less than five employees. Persons in these categories were formerly required to fill out a detailed questionnaire concerning past illnesses and, in some cases, to pass a medical examination.

"Subscribers who enroll through the special application form may transfer to group membership if they should obtain employment in an organization where group enrollment is in effect. The advantages of group enrollment include a lower rate, a more convenient method of payment, through payroll deduction; and provisions for family coverage with maternity care."

In a statement to be issued to persons who apply for enrollment under the new provisions, Mr. Pink says:

"We have simplified this form of enrollment as we want to make it easier for those who are not able to join through groups to become members of our plan. We must, however, depend upon the law of averages. We can offer this protection only to those in good health at the time of filing this application. This is a partnership effort between Associated Hospital Service and the public, and whether we can continue to offer this method of enrollment, without medical examination or questionnaire, will depend upon your cooperation."

The Associated Hospital Service of New York now comprises nearly 1,700,000 subscribers, an increase of 277,574 for the first nine months of this year. During the last three months of this period, the gain in enrollment is reported as 60,787, the largest increase among the nation's 81 non-profit community organizations, popularly known as "Blue Cross Plans," which make prepaid hospital care available to more than 16,000,000 subscribers throughout the United States. Activities of these organizations are subject to the approval of the American Hospital Association.

Since New York's Blue Cross Plan was established in 1935, it is announced more than 750,000 hospital bills totaling approximately $50,000,000 have been paid to hospitals for the care of its members. On a national basis approximately $250,000,000 has been paid to hospitals since the inception of the Blue Cross movement. More than $300,000 employers throughout the nation now cooperate in making enrollment in local Blue Cross Plans available to their employees. Subscribers to the service are entitled to 21 days of complete hospital care without charge and to 90 additional days at one-half the hospital's established rates in semi-private accommodations in any one of the 260 participating hospitals in the Greater New York area.

Fete Portuguese Delegates

The American - Portuguese Chamber of Commerce, Inc., announced on Nov. 10 through Jose Bensaude, its President, that the Chamber will honor the two delegations from Portugal now in this country with a dinner and dance to be given in the Rainbow Room, Radio City, on Nov. 21.

The delegates to the International Business Conference, Westchester Country Club, Rye, N. Y., are:

Dr. Roque da Fonseca, President of the Lisbon Chamber of Commerce; Valente Perfeito, Dr. Cortez Pinto, Mario Borges, Dr. Alberto Araujo, Elizio Pereida do Vale.

The delegates to the International Civil Aviation Conference, Hotel Stevens, Chicago, Ill., are:

Dr. Prof. Mario de Figueiredo, Chairman; Brigadier Alfredo Velasques dos Santos Cintra, Eng. Duarte Pinto Bastos de Guimaraes Calheiro, 1st Lt. Joaquim Trinidade dos Santos, Capt. Nuno Alves Calado, Maj. Carlos Mario Goncalves de Castro da Costa Macedo, Carlos Black, Dr. Vasco Vieira Garin, Engineer Francisco Mello e Castro.

Mr. Bensaude is President of Flomarcy, Inc., and since the New York World's Fair of 1939 has been the special delegate of the Lisbon Chamber of Commerce in New York, and who for the past several years has played a prominent part in Port shipping. He will also act as technical advisor to the delegates attending the International Business Conference at Rye, N. Y.

Moody's Daily Commodity Index

Tuesday, Nov. 7, 1944	*
Wednesday, Nov. 8	248.4
Thursday, Nov. 9	248.3
Friday, Nov. 10	248.5
Saturday, Nov. 11	*
Monday, Nov. 13	249.0
Tuesday, Nov. 14	247.8
Two weeks ago, Oct. 31	248.6
Month ago, Oct. 14	249.1
Year ago, Nov. 13, 1943	243.4
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Oct. 3	252.5
Low, Jan. 5	247.0

*Holiday.

Wholesale Prices Up 0.1% for Week Ended Nov. 4, Labor Department Reports

Seasonal advances in market prices for eggs and certain vegetables, with higher quotations for cows, live poultry and foreign wools, caused the Bureau of Labor Statistics' Index of commodity prices in primary markets to rise 0.1% during the first week of November, said the U. S. Department of Labor in its report issued Nov. 9 which also stated: "The all-commodity index stood at 104.0% of the 1926 average, the level which prevailed in mid-August. It was 0.1% above the first week in October and 1.1% higher than for the corresponding week of 1943." The Department's report continued:

"**Farm Products and Foods**—Led by a seasonal rise of 4% in egg price and 7% for onions and more than 3% for white potatoes, the index for farm products rose 0.6% during the week. Prices of cows increased nearly 8% and live poultry in both the Chicago and New York markets advanced sharply. Quotations for Argentine and Montevideo wools were up more than 1%. With increased supplies and more favorable crop reports, prices for corn, oats and rye declined. Cotton quotations fell slightly and hog prices were down about 2%. The farm products index was 124.0% of the 1926 average and was higher than a month ago by 0.6% and a year ago by 1%.

"Higher prices for eggs and vegetables largely accounted for an increase of 0.3% in average prices for foods. Fruits and vegetables rose 0.2% and cereal products were up 0.1% because of a further rise of 1.5% for oatmeal and higher prices for flour in the Buffalo market. The level of food prices in primary markets was 0.3% above four weeks ago and was down by 1.2% from the first week in November, 1943.

"**Industrial Commodities**—There was practically no activity in industrial commodity markets during the week. With the exception of slightly lower prices for sand and gravel, for anhydrous ammonia and for cottonseed meal, quotations for major industrial products remained unchanged from the previous week. The decline of 0.2% for chemicals and allied products was a result of the nearly 10% decline in the ammonia quotation and one-half of 1% drop for cottonseed meal."

The Labor Department included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for Oct. 7, 1944 and Nov. 6, 1943, and the percentage changes from a week ago, a month ago and a year ago, and (2) percentage changes in subgroups indexes from Oct. 28, 1944 to Nov. 4, 1944.

WHOLESALE PRICES FOR WEEK ENDED NOV. 4, 1944

(1926=100)

Commodity Groups—	11-4 1944	10-28 1944	10-21 1944	10-7 1944	11-6 1943	Percentage change to Nov. 4, 1944 from— 10-28 1944	10-7 1944	11-6 1943
All commodities	*104.0	*103.9	*103.8	*103.9	102.9	+0.1	+0.1	+ 1.1
Farm products	124.0	123.3	122.8	123.3	122.8	+0.6	+0.6	+ 1.0
Foods	104.4	104.1	103.9	104.1	105.7	+0.3	+0.3	— 1.2
Hides and leather products	116.7	116.7	116.7	116.8	118.4	0	—0.1	— 1.4
Textile products	98.9	98.9	98.9	98.8	97.2	0	+0.1	+ 1.7
Fuel and lighting materials	83.5	83.5	83.6	83.8	81.6	0	—0.4	+ 2.3
Metals and metal products	*103.8	*103.8	*103.8	*103.9	103.8	0	—0.1	0
Building materials	116.4	116.4	116.3	116.1	113.0	0	+0.3	+ 3.0
Chemicals and allied products	104.7	104.9	104.9	104.9	100.4	—0.2	—0.2	+ 4.3
Housefurnishing goods	106.1	106.1	106.1	106.1	104.2	0	0	+ 1.8
Miscellaneous commodities	93.4	93.4	93.4	93.4	92.9	0	0	+ 0.5
Raw materials	114.0	113.5	113.2	113.7	112.1	+0.4	+0.3	+ 1.7
Semimanufactured articles	94.7	94.7	94.7	94.6	92.9	0	+0.1	+ 1.9
Manufactured products	*101.1	*101.1	*101.2	*101.2	100.3	0	—0.1	+ 0.8
All commodities other than farm products	*99.6	*99.6	*99.7	*99.7	98.6	0	—0.1	+ 1.0
All commodities other than farm products and foods	*98.8	*98.8	*98.9	*98.9	97.5	0	—0.1	+ 1.3

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM OCT. 28, 1944 TO NOV. 4, 1944

Increases			
Livestock and poultry	1.2	Other farm products	0.5
Other foods	0.9	Fruits and vegetables	0.2
Cereal products	0.1		
Decreases			
Grains	0.6	Chemicals	0.5

Latest Summary Of Copper Statistics

The Copper Institute on Nov. 13 released the following statistics pertaining to production, deliveries and stocks of duty-free copper:

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE

(In Tons of 2,000 Pounds)

U. S. Duty Free Copper	Production *Crude	Refined	Deliveries to Customers †Domestic	Export	‡Refined Stocks End of Period	Stock Increase (+) or Decreases (—) Blister	Refined
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785	—130,270
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	—41,417	— 16,713
Year 1941	1,016,996	1,065,667	1,545,541	307	75,564	—48,671	— 67,208
Year 1942	1,152,344	1,135,708	1,635,236	----	65,309	+16,636	— 10,255
Year 1943	1,194,699	1,206,871	1,643,677	----	52,121	—12,172	— 13,188
10 Mos. 1944	902,721	928,994	1,351,978	----	49,358	—26,273	— 2,763
Jan., 1944	95,400	92,781	101,779	----	45,800	+ 2,619	— 6,321
Feb., 1944	95,712	87,128	124,800	----	36,489	+ 8,584	— 9,311
Mar. 1944	101,247	99,118	156,083	----	37,259	+ 2,129	+ 770
Apr., 1944	92,530	95,280	156,233	----	38,382	— 2,750	+ 1,123
May, 1944	94,534	98,580	165,887	----	37,074	— 4,046	— 1,308
June, 1944	89,070	93,958	141,139	----	42,467	— 4,888	+ 5,393
July 1944	86,224	93,650	121,898	----	48,050	— 1,426	+ 5,583
Aug., 1944	82,769	91,047	139,515	----	50,991	— 8,278	+ 2,941
Sept., 1944	82,776	88,384	118,054	----	51,412	— 5,608	+ 421
Oct., 1944	82,459	89,068	126,590	----	49,358	— 6,609	— 2,054

*Mine or smelter production or shipments, and custom intake including scrap.

†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.

‡At refineries, on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.

Note—Statistics for the month of September, 1944 have been revised.

Market Value Of Bonds On N. Y. Stock Exchange

The New York Stock Exchange announced on Nov. 10 that as of the close of business Oct. 31, there were 1,058 bond issues aggregating $101,088,301,686 par value listed on the New York Stock Exchange with a total market value of $101,801,493,498. This compares with 1,062 bond issues, aggregating $101,398,754,393 par value; total market value, $102,017,012,414; average price 100.61 on Sept. 30.

In the following table listed bonds are classified by governmental and industrial groups with the aggregate market value and average price for each:

Group—	Oct. 31, 1944 Market Value $	Average Price $	Sept. 29, 1944 Market Value $	Average Price $
U. S. Government (incl. N. Y. State, Cities, etc.)	85,623,114,451	102.92	85,668,996,414	102.98
U. S. companies:				
Amusement	7,387,500	98.50	7,406,250	98.75
Automobile	5,945,000	102.50	5,945,000	102.50
Building	12,942,400	102.85	12,932,315	102.77
Business and office equipment	15,186,046	107.37	15,133,010	107.00
Chemical	44,447,500	103.85	44,532,000	104.05
Electrical equipment	20,400,000	102.00	20,325,000	101.63
Financial	40,088,142	102.84	40,069,074	102.79
Food	249,698,011	105.43	197,167,350	105.97
Land and realty	12,397,350	74.22	4,847,460	86.50
Machinery and metals	35,385,618	102.86	35,420,597	102.78
Mining (excluding iron)	95,237,573	74.50	94,055,803	73.37
Paper and publishing	32,076,089	104.17	32,150,611	104.22
Petroleum	640,388,809	104.17	639,545,689	104.03
Railroad	7,917,664,665	85.27	7,915,371,886	83.92
Retail merchandising	13,121,639	97.87	12,909,489	96.29
Rubber	69,578,273	104.65	69,387,006	104.37
Shipping services	20,027,873	94.11	19,384,531	91.09
Steel, iron and coke	369,484,753	103.82	393,028,947	103.42
Textiles	36,575,000	104.50	36,750,000	105.00
Tobacco	157,290,600	104.09	170,562,712	104.49
Utilities:				
Gas and electric (operating)	2,856,367,462	107.46	3,053,368,066	107.76
Gas and electric (holding)	60,850,360	108.82	61,089,841	109.25
Communications	1,143,834,029	112.12	1,150,807,812	112.39
Miscellaneous utilities	94,373,985	68.64	98,748,232	69.93
U. S. companies oper. abroad	151,118,025	85.98	150,652,646	85.72
Miscellaneous businesses	30,814,670	105.10	30,742,450	104.86
Total U. S. companies	14,132,681,372	92.93	14,312,333,777	92.26
Foreign government	1,396,101,458	70.78	1,388,894,492	70.18
Foreign companies	649,596,217	90.80	646,787,731	90.41
All listed bonds	101,801,493,498	100.71	102,017,012,414	100.61

The following table, compiled by us, gives a two-year comparison of the total market value and the total average price of bonds listed on the Exchange:

1942—	Market Value $	Average Price $
Oct. 31	64,843,877,284	96.48
Nov. 30	64,543,971,299	96.11
Dec. 31	70,583,644,622	96.70
1943—		
Jan. 30	71,038,674,932	97.47
Feb. 27	71,346,452,852	97.79
Mar. 31	71,575,183,604	98.24
Apr. 30	71,857,596,488	98.69
May 29	81,048,543,830	99.47
June 30	80,704,321,646	99.64
July 31	80,352,221,151	99.35
Aug. 31	80,109,269,964	99.23
Sept. 30	80,149,558,292	99.37
Oct. 30	90,501,768,934	99.45

1943—	Market Value $	Average Price $
Nov. 30	90,076,888,558	99.02
Dec. 31	90,274,071,634	99.38
1944—		
Jan. 31	90,544,387,232	99.78
Feb. 29	96,837,573,171	100.21
Mar. 31	95,713,288,544	100.32
Apr. 29	95,305,318,075	100.31
May 31	93,849,254,814	100.62
June 30	96,235,324,054	100.53
July 31	102,284,657,208	100.71
Aug. 31	102,328,885,992	100.74
Sep. 30	102,017,012,414	100.61
Oct. 31	101,801,493,498	100.71

Civil Engineering Construction $8,805,000 For Holiday-Shortened Week

Civil engineering construction volume in continental U. S. for the short week due to the Election Day holiday totals $8,805,000, the lowest weekly volume reported since July 6, 1933. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, compares with $32,393,000 in the preceding week, and $62,972,000 in the 1943 week, according to reports to **Engineering News-Record.** The total is 58% lower than the previous four-week moving average. The report, made public on Nov. 9, continued as follows:

Private construction for the week totals $1,817,000; and public volume is $6,988,000, of which $5,550,000 is Federal, and $1,438,000 is State and municipal.

The week's volume brings 1944 construction to $1,547,954,000 for the 45 weeks, a decrease of 44% from the $2.779,930,000 reported for the 1943 period. Private construction, $321,280,000, is 21% below a year ago, and public construction, $1,226,674,000 is down 48% as a result of the 54% drop in Federal work. State and municipal volume is 20% above a year ago.

Civil engineering construction volumes for the 1943 week, last week, and the short current week are:

	Nov. 11, '43 (five days	Nov. 2, '44 (five days)	Nov. 9, '44 (four days)
Total U. S. construction	$62,972,000	$32,393,000	$8,805,000
Private construction	16,607,000	5,614,000	1.817,000
Public construction	46,365,000	26,779,000	6,988,000
State and municipal	2,956,000	3,873,000	1,438,000
Federal	43,409,000	22,906,000	5,550,000

In the classified construction groups, sewerage construction gains over a week ago, and is the only class of work to report an increase over a week ago or a year ago. Subtotals for the week in each class of construction are: waterworks, $55,000; sewerage, $409,000; bridges, $107,000; industrial buildings, $768,000; commercial building and large-scale private housing, $775,000; public buildings, $2,702,000; earthwork and drainage, $185,000; streets and roads, $864,000; and unclassified construction, $2,940,000.

New capital for construction purposes for the week totals $13,999,000. It is made up of $5,849,000 in State and municipal bond sales, $4,150,000 in corporate security issues, and $4,000,000 in RFC loans for private industrial construction. The week's new financing brings the 1944 volume to $1,675,795,000, a total 45% below the $3,052,220,000 reported for the 45-week 1943 period.

War Production Still No. 1 Problem

The assertion that "war production is still the number one problem of America," and that "even the end of the war in Germany will not see the end of the gigantic war production program — we will still have Japan to defeat," was made by the speakers on the weekly Business Forum of the Commerce and Industry Association on WMCA on Nov. 8. "To meet these war production programs, America must continue to produce the raw materials and a great army of American men and women must continue in essential war industries to turn these materials into the tools of war," according to the facts brought out.

The speakers were Lewis S. Greenleaf, Jr., Regional Director, War Production Board; Reginald E. Gillmor, President, Sperry Gyroscope Co., Inc., and Rear Admiral Sherman S. Kennedy, U. S. Navy, Manager of the New York Navy Yard.

In stating today's production problems, the moderator, Neal Dow Becker, President of the Association, and President of Intertype Corp., said, "the pressing problems of war production take priority over any planning for reconversion of our plants and factories to peacetime production. War production still holds first place. To maintain it, industry must raise its sights still higher. It must retain the manpower dedicated to the winning of the war. It can be done only by staying on essential jobs."

In response to a question by Mr. Becker, Regional Director Greenleaf pointed out that "while it was inevitable that labor, industry and government should be doing a lot of thinking now on the reconversion problem, there are two things to bear in mind in that connection. The first is that our war job is far from finished and that it is going to be bigger and more important during the immediate future than ever before. Military schedules are still going up very sharply and we should bear in mind that the unfinished war production job has first call on our energy right now. If we let ourselves create a general feeling that the war job is tapering off and that greatly increased production of peacetime goods is getting under way, we simply make it that much harder for war plants to get and keep the men they need. The problem in military production is manpower."

Calif. Business Down

For the third consecutive month business activity in California registered a decline in September, according to the Wells Fargo Bank of San Francisco's monthly Business Outlook. The bank's index shows the month's level was 240.2% of the 1935-39 average as compared with revised figures of 241.2% in August, 244.9% in July and 246.7% in Sept., 1943. The bank further says:

"Nevertheless, department-store dollar-volume showed a substantial increase—up 17% from Sept., 1943, with nine months' dollar-volume 12% over that for the corresponding period a year ago.

"Total taxes collected by all Government agencies in the State, during the fiscal year July 1, 1943-June 30, 1944, were nearly double the amount paid in the preceding fiscal year and practically four times that paid four years ago.

"Sales of California retailers during the fiscal year ending June 30, 1944 were the highest in history, the Business Outlook points out. The $5,194,676,902 total represented a gain of 16.1% over the preceding fiscal year. With the exception of wheat, corn, sugar beets, and beans other than lima, all California cultivated crops this year have been better than average."

Daily Average Crude Oil Production For Week Ended Nov. 4, 1944 Dropped 21,000 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Nov. 4, 1944, was 4,719,900 barrels, a decrease of 21,000 barrels per day from the preceding week. The current figure, however, is 11,400 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of October, 1944, and exceeds the week ended Nov. 6, 1943, by 430,650 barrels per day. Daily production for the four weeks ended Nov. 4, 1944, averaged 4,733,050 barrels. Further details as reported by the Institute follow:

Reports received from refining companies owning 87.2% of the 4,908,000 barrel estimated daily potential refining capacity of the United States, indicate that the industry as a whole ran to stills, on a Bureau of Mines basis, 4,570,000 barrels of crude oil daily during the week ended Nov. 4, 1944, and that all companies had in storage, refineries, bulk terminals, in transit and in pipe lines as of the end of that week 78,409,000 barrels of finished and unfinished gasoline. The total amount of gasoline produced by all companies is estimated to have been 14,152,000 barrels during the week.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations October	*State Allowables begin. Oct. 1	Actual Production Week Ended Nov. 4, 1944	Change from Previous Week	4 Weeks Ended Nov. 4, 1944	Week Ended Nov. 6, 1943
Oklahoma	340,000	343,000	†360,000	+12,650	349,000	330,400
Kansas	274,000	269,400	†260,250	—26,700	277,700	242,550
Nebraska	1,000	----	†950	----	950	1,700
Panhandle Texas			96,150	— 2,650	98,150	85,500
North Texas			150,200	+ 1,400	149,150	141,900
West Texas			432,050	—10,750	490,100	359,750
East Central Texas			146,700	— 2,800	148,800	137,950
East Texas			369,400	— 1,950	370,850	376,400
Southwest Texas			341,600	+ 7,200	336,200	297,850
Coastal Texas			546,700	+ 9,000	539,950	524,600
Total Texas	2,133,000	‡2,134,113	2,142,800	— 550	2,133,200	1,923,950
North Louisiana			73,300	----	73,200	78,800
Coastal Louisiana			290,650	+ 900	290,000	272,200
Total Louisiana	350,000	396,000	363,950	+ 900	363,200	351,000
Arkansas	78,000	80,295	80,500	— 350	80,700	78,100
Mississippi	46,000		49,300	+ 250	49,200	52,400
Alabama	----		200	----	200	----
Florida	----		50	----	50	----
Illinois	205,000		204,000	+ 3,750	200,000	228,400
Indiana	13,500		13,300	+ 200	12,850	14,600
Eastern— (Not incl. Ill., Ind., Ky.)	72,500		68,050	+ 50	68,000	70,900
Kentucky	25,000		30,850	+ 1,900	28,300	24,750
Michigan	50,000		46,550	— 1,650	47,800	52,100
Wyoming	95,000		98,450	— 2,400	99,400	98,700
Montana	22,000		21,050	— 300	21,800	21,350
Colorado	8,500		9,250	— 50	9,350	7,300
New Mexico	110,000	110,000	104,900	----	104,650	112,550
Total East of Calif.	3,823,500		3,844,400	—12,300	3,846,350	3,610,750
California	885,000	§885,000	875,500	— 8,700	886,700	778,500
Total United States	4,708,500		4,719,900	—21,000	4,733,050	4,389,250

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Nov. 2, 1944.

‡This is the net basic allowable as of Oct. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 15 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED NOV. 4, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
East Coast	729	100.0	731	100.3	1,831	12,301	14,793	11,046
Appalachian—								
District No. 1	130	83.9	100	76.9	315	2,364	517	345
District No. 2	47	87.2	57	121.3	184	1,319	192	127
Ind., Ill., Ky.	824	85.2	771	93.6	2,710	†16,126	†6,901	3,889
Okla., Kans., Mo.	418	80.2	338	80.9	1,359	†7,037	†2,465	1,657
Inland Texas	278	66.9	218	78.4	842	2,634	398	645
Texas Gulf Coast	1,165	90.5	1,093	93.8	3,565	14,192	8,308	8,533
Louisiana Gulf Coast	242	95.5	272	112.4	767	4,258	2,244	1,023
No. La. & Arkansas	104	68.0	72	69.2	211	2,409	731	319
Rocky Mountain—								
District No. 3	13	17.0	11	84.6	35	70	19	29
District No. 4	141	58.3	102	72.3	369	1,500	393	610
California	817	89.9	805	98.5	1,964	14,199	11,616	35,221
Total U. S. B. of M. basis Nov. 4, 1944	4,908	87.2	4,570	93.1	14,152	¶78,409	48,477	63,444
Total U. S. B. of M. basis Oct. 28, 1944	4,908	87.2	4,658	94.9	14,117	79,058	*48,705	*64,382
U. S. Bur. of Mines basis Nov. 6, 1943			4,097		12,193	68,674	44,807	63,398

*On new basis due to transfer of 158,000 barrels in Texas Gulf Coast from Distillate to residual fuel. †As of Oct. 28 the following amounts were transferred from Indiana, Illinois and Kentucky district to Oklahoma, Kansas and Missouri district: gasoline, 216,000; kerosine, 42,000; gas oil and distillate, 112,000 barrels. ¶Composed of 13,396,000 barrels of unfinished, 39,596,000 barrels civilian-grade automotive and 25,417,000 barrels aviation, military, solvents and naphthas, and gasoline blending stocks currently indeterminate as to ultimate use. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,365,000 barrels of kerosine, 4,569,000 barrels of gas oil and distillate fuel oil and 8,570,000 barrels of residual fuel oil produced during the week ended Nov. 4, 1944, which compares with 1,486,000 barrels, 4,722,000 barrels and 8,985,000 barrels, respectively, in the preceding week and 1,386,000 barrels, 4,320,000 barrels and 8,256,000 barrels, respectively, in the week ended Nov. 6, 1943.

Note—Stocks of kerosine at Nov. 4, 1944 amounted to 14,489,000 barrels, as against 14,323,000 barrels a week earlier and 11,429,000 barrels a year before.

Weekly Coal and Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Nov. 4, 1944, is estimated at 11,950,000 net tons, a decrease of 200,000 tons, or 1.6%, from the preceding week. In the corresponding week of 1943, when miners were out on strike, output amounted to only 3,061,000 tons. Cumulative production of soft coal from Jan. 1 to Nov. 4, 1944, totaled 530,505,000 tons, an increase of 7.5% over the 493,288,000 tons mined in the same period last year.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended Nov. 4, 1944, was estimated at 1,138,000 tons, a decrease of 181,000 tons (13.7%) from the preceding week. When compared with the production in the corresponding week of 1943, there was an increase of 991,000 tons. The calendar year to date shows an increase of 7.4% when compared with the corresponding period of 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended Nov. 4, 1944, showed a decrease of 10,900 tons when compared with the output for the week ended Oct. 28, 1944; but was 41,500 tons more than for the corresponding week of 1943.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

Bituminous coal and lignite—	Week Ended Nov. 4, 1944	Week Ended Oct. 28, 1944	Week Ended Nov. 6, 1943	January 1 to Date *Nov. 4, 1944	January 1 to Date Nov. 6, 1943	January 1 to Date Nov. 6, 1937
Total incl. mine fuel	11,950,000	12,150,000	3,061,000	530,505,000	493,288,000	380,362,000
Daily average	1,992,000	2,025,000	510,000	2,022,000	1,871,000	1,455,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

Penn. anthracite—	Week Ended ‡Nov. 4, 1944	Week Ended §Oct. 28, 1944	Week Ended Nov. 6, 1943	Calendar Year to Date Nov. 4, 1944	Calendar Year to Date Nov. 6, 1943	Calendar Year to Date Nov. 6, 1937
*Total incl. coll. fuel	1,138,000	1,319,000	147,000	55,489,000	51,655,000	43,718,000
†Commercial produc.	1,092,000	1,266,000	141,000	53,270,000	49,589,000	41,532,000
Beehive coke—						
United States total	112,900	123,800	71,400	6,205,100	6,665,800	2,903,500

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended Oct. 28, 1944	Week Ended Oct. 21, 1944	Week Ended Oct. 30, 1943	Week Ended Oct. 30, 1937
Alabama	360,000	365,000	123,000	264,000
Alaska	7,000	7,000	6,000	3,000
Arkansas and Oklahoma	110,000	101,000	90,000	101,000
Colorado	150,000	160,000	182,000	148,000
Georgia and North Carolina	1,000	1,000	1,000	*
Illinois	1,488,000	1,403,000	1,123,000	1,206,000
Indiana	543,000	551,000	154,000	377,000
Iowa	49,000	52,000	47,000	78,000
Kansas and Missouri	197,000	170,000	176,000	156,000
Kentucky—Eastern	990,000	970,000	634,000	902,000
Kentucky—Western	376,000	360,000	247,000	196,000
Maryland	36,000	31,000	28,000	32,000
Michigan	3,000	3,000	3,000	13,000
Montana (bitum. & lignite)	105,000	116,000	102,000	77,000
New Mexico	32,000	33,000	35,000	30,000
North & South Dakota (lignite)	66,000	69,000	71,000	64,000
Ohio	643,000	696,000	612,000	548,000
Pennsylvania (bituminous)	2,860,000	2,850,000	2,754,000	2,037,000
Tennessee	134,000	137,000	110,000	119,000
Texas (bituminous & lignite)	3,000	3,000	4,000	21,000
Utah	111,000	121,000	111,000	88,000
Virginia	388,000	360,000	283,000	319,000
Washington	32,000	32,000	28,000	39,000
†West Virginia—Southern	2,176,000	2,004,000	2,173,000	1,867,000
‡West Virginia—Northern	1,095,000	1,019,000	735,000	524,000
Wyoming	195,000	186,000	194,000	138,000
§Other Western States	*	*	*	*
Total bituminous & lignite	12,150,000	11,800,000	10,026,000	9,347,000
Pennsylvania anthracite	1,319,000	1,285,000	1,041,000	1,047,000
Total, all coal	13,469,000	13,085,000	11,067,000	10,394,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Fly Quits Federal Communications Commission

James Lawrence Fly, Chairman of the Federal Communications Commission, made known on Nov. 2 his intention to resign from the Commission, effective Nov. 15.

The President in accepting Mr. Fly's resignation "with great personal reluctance," said:

"We have had long discussions of the personal reasons for which you feel you have to return to private practice. And because you have had only a few years of private life since you left the Navy, after the last war, I feel I cannot deny you the 'furlough.'

"You have given five years to the prosecution of monopolies in the Anti-Trust Division of the Department of Justice, five years to your brilliant defense of the Tennessee Valley Authority as its General Counsel and five years to the reorganization of the Federal Communications Commission as its Chairman. These were all extraordinarily difficult tasks—calling for technical competence and strength of heart of the highest order—against powerful opponents who did not always take your victories lightly. Few men have so proud and effective a record in public service.

"Indeed, it is a tribute to the call of public service upon young men that you were willing to persist for 15 years in such apparently thankless tasks. But you should take great satisfaction from the knowledge that in all your public endeavors you have not only advanced the public interest, but in the end gained the respect of most of your opponents for requiring them to face, for the public good, the need of adjustments necessary to protect their own long-range interests.

"The importance of the work of the Federal Communications Commission is better appreciated today both by the public and by the industries under its jurisdiction than it has ever been before. The Commission, working as a team under your Chairmanship, has made notable advances in safeguarding freedom of speech and information and in protecting competitive enterprise in the field of communications.

"But much work remains to be done and in the doing of it I shall want your advice and counsel. You are only on 'furlough.' I shall have to have your help from time to time, particularly in the field of international communications, and know I can expect you to respond."

The President's letter and that of Mr. Fly's tendering his resignation were made public on Nov. 13, and both were given in Washington advices to the New York "Times." Mr. Fly's letter follows:

"I hereby submit my resignation as a member of the Federal Communications Commission, effective at the end of the 15th day of November, 1944.

"Despite the personal reasons calling for this step—and these you have recognized—I make the move only with great reluctance. The forward movement of electrical communications is freighted with problems of broad and deep significance. In some real measure the landmarks of principle have been established and the path rough hewn. Yet, much work remains to be done. The most urgent task is in the field of international communications. In this regard I shall stand ready from time to time and in a private capacity to assist in any manner possible.

"I need hardly remind you of the deep gratitude I feel for the faith you have held midst all the ill winds of doctrine. My deep personal regard and great confidence go with you in the most significant work which lies ahead."

Stating that Mr. Fly is concluding 15 years of service with the Federal Government, Washington advices Nov. 2 to the New York "Times," said:

He will resume a legal practice which he began in New York with the firm of White & Case on his admission to the bar in 1926.

Mr. Fly's announcement was coincident with the closing of hearings on the post-war allocation of radio frequencies, giving rise to the suggestion in Commission circles that the development of an over-all plan would be completed by Nov. 15.

"I have frequently expressed the hope that some day, somehow, it would be possible for government and industry to sit down together, go over the entire spectrum, channel by channel, and come up with a plan which, even though it does not entirely satisfy everybody, at least appeals to everybody as a fair and honest structure within the limits set by the spectrum itself," Mr. Fly said.

"The record on which the Commission will now proceed to consideration of the various proposals will be based upon a record which I feel sure is the fullest and most satisfactory in the history of radio broadcasting."

From the Associated Press accounts from Washington Nov. 2 we take the following:

The 43-year-old Texan has headed the FCC since September, 1939. He first entered the Government service in 1929 when President Hoover appointed him a special Assistant Attorney-General. In 1934 he became head of the legal department of the Tennessee Valley Authority.

Dr. G. Belt Named Cuban Ambassador to the U. S.

Dr. Guillermo Belt has been appointed by Ramon Grau San Martin, President of the Republic of Cuba, as Cuban Ambassador to the United States.

The New York "Times" in reporting this from Havana, said:

Dr. Belt, a close friend of President Grau, accompanied him on a recent visit to Washington. During the revolutionary period of 1933, Dr. Belt, a young lawyer and a member of a prominent family, joined the students' fight against the existing regime. He was Secretary of Education in the short-lived Decespedes Administration that followed the ousting of Gen. Gerardo Machado y Morales and later was Mayor of Havana during the Mendieta Government.

The Cuban Senate has confirmed the nomination.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Nov. 8 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Oct. 21, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Oct. 21 (in round-lot transactions) totaled 1,589,429 shares, which amount was 17.63% of the total transactions on the Exchange of 4,507,160 shares. This compares with member trading during the week ended Oct. 14 of 1,019,124 shares, or 16.10% of the total trading of 3,164,950 shares. On the New York Curb Exchange, member trading during the week ended Oct. 21 amounted to 423,330 shares, or 15.71% of the total volume on that exchange of 1,347,400 shares; during the Oct. 14 week trading for the account of Curb members of 332,135 shares was 16.10% of total trading of 1,174,730 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 21, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	124,320	
‡Other sales	4,382,840	
Total sales	4,507,160	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	356,020	
Short sales	38,420	
‡Other sales	316,770	
Total sales	355,190	7.89
2. Other transactions initiated on the floor—		
Total purchases	271,990	
Short sales	9,550	
‡Other sales	233,500	
Total sales	243,050	5.71
3. Other transactions initiated off the floor—		
Total purchases	127,032	
Short sales	40,190	
‡Other sales	195,957	
Total sales	236,147	4.03
4. Total—		
Total purchases	755,042	
Short sales	88,160	
‡Other sales	746,227	
Total sales	834,387	17.63

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 21, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	23,385	
‡Other sales	1,324,015	
Total sales	1,347,400	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	115,175	
Short sales	11,585	
‡Other sales	125,855	
Total sales	137,440	9.37
2. Other transactions initiated on the floor—		
Total purchases	36,760	
Short sales	2,700	
‡Other sales	30,760	
Total sales	33,460	2.61
3. Other transactions initiated off the floor—		
Total purchases	57,160	
Short sales	7,200	
‡Other sales	36,135	
Total sales	43,335	3.73
4. Total—		
Total purchases	209,095	
Short sales	21,485	
‡Other sales	192,750	
Total sales	214,235	15.71
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	56,838	
Total purchases	56,838	
Total sales	42,712	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Non-Ferrous Metals—Zinc Stocks Increased In Oct.—Lead Demands Continue at High Level

"E. & M. J. Metal and Mineral Markets," in its issue of Nov. 9, stated: "The slab zinc statistics issued recently revealed that stocks increased to 244.209 tons by the end of October, a new high, which compares with 154,338 tons a year ago and 55,405 tons two years ago. Most of the tonnage now on hand is owned by the Metals Reserve Co. The position of the zinc market was unchanged. Interest in copper centered in a report to the effect that the British contracts with Canadian producers are under discussion. Informed opinion here leans to the view that the contracts will be renewed on a short-term basis. Producers look for a sustained demand for lead and continued receipts from abroad to meet requirements. Quicksilver buying moderated and the price remained unchanged." The publication further went on to say in part:

Copper

Canada's position in the British copper requirements program for 1945 is uncertain, according to Canadian authorities. Contracts in most instances expire Jan. 31, 1945, and the industry may have to contend with a cutback in British demands. "The idea that Canadian producers of refined copper will lose their 1945 British market after January should not be accepted as yet," the "Northern Miner" states, "for there is a good possibility that a new formula can be threshed out with a new set of terms as to price and tonnage." British stocks of refined copper, according to the Canadian publication, are placed unofficially at 300,000 tons.

The Canadian developments in copper attracted wide interest here during the last week. The British have agreed to extend the copper contracts with Canadian producers on a short-term basis, probably three months, according to some authorities, but an official statement on the deal has not yet been issued. Until Canada's normal outlets for copper can be restored, the industry would be certain to encounter numerous marketing problems over which it can exercise little control.

Lead

Inquiry for lead shows no signs of abating, and the industry feels that total stocks of refined metal by the end of the year may not amount to more than two months' consumption. This calls for continued importations on a fairly large scale, operators contend. British contracts with Canadian producers do not expire until May 1, and it is not known here whether these will be renewed or modified. The feeling prevails in informed quarters that at least part of Canada's production of lead could be marketed in this country without difficulty, providing demands continue at or near the current level.

Sales of lead during the last week totaled 10,638 tons.

Zinc

Production of slab zinc during October amounted to 68,781 tons, against 66,891 tons in September, according to the American Zinc Institute. Shipments totaled 68,006 tons in October, against 65,150 tons (revised) in the prior month. Stocks at the end of October amounted to 244,209 tons, which compares with 243,434 tons (revised) at the end of September.

Preliminary figures for September on mine output of zinc, in terms of recoverable metal, indicate that production dropped 6% from the August level. The Bureau of Mines estimates domestic mine output for September at 56,420 tons, against 59,711 tons in August and 56,001 tons in July.

Zinc consumers continued to pursue a conservative policy in reference to inventories, which was reflected in moderate buying in the week ended Nov. 8.

Tin

Conservation of tin in solder under the war program has been attracting interest. The tin content of some solders has dropped to as low as 2%, and a 4 to 5% product is being used quite extensively. Trade authorities believe that savings in soldering costs point to the continued use of low-tin solders in many applications in the post-war period. In pre-war years the United States consumed on an average of 10,000 tons of tin a year in the production of solders.

Quotations in the domestic market remain unchanged. Straits quality tin for shipment, in cents per pound, was as follows:

	Nov.	Dec.	Jan.
Nov. 2	52.000	52.000	52.000
Nov. 3	52.000	52.000	52.000
Nov. 4	52.000	52.000	52.000
Nov. 6	52.000	52.000	52.000
Nov. 7		Holiday	
Nov. 8	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Fluorspar

Production of metallurgical fluorspar during September was 7% smaller in volume than in August, but continued well in excess of consumption, the Bureau of Mines reports. Stocks of fluorspar at the end of September amounted to 135,096 tons, which compares with 131,604 tons at the end of August and 124,959 tons at the beginning of the year.

Fluorspar statistics, in tons, for August and September:

	Aug.	Sept.
Production	36,977	35,634
Shipments:		
*Domestic	36,197	33,422
Export	196	183
	36,393	33,605
Consumption	33,123	34,231
Stocks:		
Consumers	100,832	102,295
†Mines	30,772	32,801
Totals	131,604	135,096

*Domestic consumers and Metals Reserve Co. †Includes fluxing gravel in stockpile at Gila, New Mexico.

Consumption of fluorspar in the United States during September, by industries, was: Steel, 18,307 tons; hydrofluoric acid, 11,478 tons; glass, 2,484 tons; enamel, 241 tons; aluminum and magnesium, 358 tons; all other, 1,363 tons; total, 34,231 tons.

Quicksilver

Demand for quicksilver moderated during the last week and there was less nervousness over the price situation. Quotations were nominally unchanged at $113 to $115 per flask.

The latest statistics of the Bureau of Mines placed domestic production for September at 2,500 flasks and consumption at 3,900 flasks, the figures being the same as those presented for August. Imports are not shown. Domestic consumption during October and November moved to even higher levels and both consumers and producers are said to have reduced their holdings appreciably. Except that the spurt in demand is expected to prove temporary, the rise in consumption might have resulted in a rather substantial increase in prices, traders believe. Buying interest in recent weeks centered largely in nearby metal.

Silver

The silver market in London has been quiet, with buying generally restricted to requirements of the war industries. The price remains unchanged at 23½d. per ounce for cash and two months' delivery.

The New York Official for foreign silver continued at 44¾¢., with domestic metal at 70⅝¢.

Production of refined silver in the United States during September amounted to 5,895,000 oz., of which 2,291,000 oz. was obtained from domestic sources and 3,604,000 oz. from foreign. This compares with a total of 8,071,000 oz. produced in September last year, of which 2,786,000 oz. was domestic and 5,285,000 oz. foreign.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 13 that the tenders of $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated Nov. 16 and to mature Feb. 15, 1945, which were offered on Nov. 10, were opened at the Federal Reserve Banks on Nov. 13.

The details of this issue are as follows:

Total applied for, $1,932,075,000. Total accepted, $1,300,604,000 (includes $52,926,000 entered on a fixed price basis at 99.905 and accepted in full.)

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(62% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Nov. 16 in the amount of $1,205,776,000.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Nov. 8 a summary for the week ended Oct. 28 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Oct. 28, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	18,658
Number of shares	527,891
Order value	$21,566,464
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	224
*Customers' other sales	17,321
Customers' total sales	17,545
Number of Shares:	
Customers' short sales	7,706
*Customers' other sales	450,284
Customers' total sales	457,990
Dollar value	$16,990,282
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	123,240
Total sales	123,270
Round-Lot Purchases by Dealers:	
Number of shares	171,200

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

November Cotton Report

A United States cotton crop of 12,320,000 bales of 500 pounds gross weight is forecast by the Crop Reporting Board of the United States Department of Agriculture, based upon indications as of Nov. 1. The present forecast is 367,000 bales or 3.1% above the forecast of 11,953,000 bales on Oct. 1, and compares with 11,427,000 bales produced in 1943 and 12,455,000 bales for the 10-year (1933-42) average. Lint yield per acre for the United States is computed at 293.3 pounds, which yield is well above the previous all-time record yield of 272.4 pounds. Average yield for the 10-year (1933-42) period is 226.9 pounds per acre.

Mild temperatures with very little rainfall during October over most of the Cotton Belt have been almost ideal for maturity and harvest of the cotton crop. Present prospective production is up 100,000 bales from a month ago for Texas, 80,000 each for Mississippi and Arkansas, 50,000 for Alabama and 45,000 for Missouri. For other States present prospects are about the same as a month ago.

All-time record yields are indicated for Virginia, North Carolina, Georgia, Alabama, Mississippi and Arkansas, and near-record yields for most other States.

Assuming the ratio of cotton lint to cottonseed to be equal to the average for the past five years, production of 5,107,000 tons of cottonseed is indicated.

An unusually large proportion of the crop is still open in the fields, but rate of ginning during October showed some improvement over previous periods. More pickers are needed to complete harvest of the crop, particularly in the States west of the Mississippi River, but with continued favorable weather no serious harvesting difficulties are expected. The report of the Bureau of the Census shows 8,281,571 bales ginned from the crop of 1944 prior to Nov. 1, compared with 9,062,869 for 1943 and 9,713,354 for 1942.

Revenue Freight Car Loadings During Week Ended Nov. 4, 1944 Decreased 23,113 Cars

Loading of revenue freight for the week ended Nov. 4, 1944 totaled 893,333 cars, the Association of American Railroads announced on Nov. 9. This was an increase above the corresponding week of 1943 of 138,594 cars, or 18.4%, and an increase above the same week in 1942 of 63,670 cars or 7.7%.

Loading of revenue freight for the week of Nov. 4, decreased 23,113 cars, or 2.5% below the preceding week.

Miscellaneous freight loading totaled 411,826 cars, a decrease of 7,524 cars below the preceding week, but an increase of 15,517 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 108,918 cars, a decrease of 1,085 cars below the preceding week, but an increase of 4,297 cars above the corresponding week in 1943.

Coal loading amounted to 170,963 cars, a decrease of 6,183 cars below the preceding week, but an increase of 128,160 cars above the corresponding week in 1943, due to coal miners strike in 1943.

Grain and grain products loading totaled 54,644 cars, a decrease of 1,077 cars below the preceding week and a decrease of 1,784 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of Nov. 4, totaled 34,676 cars, a decrease of 197 cars below the preceding week and a decrease of 2,555 cars below the corresponding week in 1943.

Livestock loading amounted to 25,295 cars, a decrease of 2,184 cars below the preceding week and a decrease of 1,038 cars below the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of Nov. 4 totaled 20,075 cars a decrease of 1,779 cars below the preceding week, and a decrease of 1,326 cars below the corresponding week in 1943.

Forest products loading totaled 44,100 cars a decrease of 1,007 cars below the preceding week but an increase of 328 cars above the corresponding week in 1943.

Ore loading amounted to 63,250 cars, a decrease of 4,240 cars below the preceding week and a decrease of 9,403 cars below the corresponding week in 1943.

Coke loading amounted to 14,337 cars, an increase of 187 cars above the preceding week, and an increase of 2,517 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943, except the Northwestern and all districts reported increases compared with 1942.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
4 weeks of May	3,446,252	3,363,195	3,311,637
5 weeks of June	4,343,193	4,003,393	4,139,395
4 weeks of July	3,463,512	3,455,328	3,431,395
4 weeks of August	3,579,800	3,554,694	3,487,905
5 weeks of September	4,428,427	4,456,466	4,410,669
4 Weeks of October	3,598,979	3,607,851	3,604,323
Week of November 4	893,333	754,739	829,663
Total	37,913,245	36,781,628	37,581,096

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Nov. 4, 1944. During the period 89 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED NOV. 4

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	428	309	393	1,539	1,288
Bangor & Aroostook	2,006	2,547	1,715	575	210
Boston & Maine	6,939	6,810	6,012	15,075	14,568
Chicago, Indianapolis & Louisville	1,322	1,021	1,512	2,079	1,965
Central Indiana	33	35	19	47	41
Central Vermont	1,100	1,115	961	2,399	2,619
Delaware & Hudson	4,891	3,330	5,885	12,704	10,482
Delaware, Lackawanna & Western	7,651	5,932	7,038	10,988	10,242
Detroit & Mackinac	411	317	460	124	98
Detroit, Toledo & Ironton	2,082	1,777	1,450	1,264	1,078
Detroit & Toledo Shore Line	383	313	301	2,721	1,992
Erie	13,820	12,157	11,512	17,374	16,496
Grand Trunk Western	3,935	3,969	4,170	8,381	7,444
Lehigh & Hudson River	184	238	196	2,449	2,194
Lehigh & New England	1,921	734	1,936	1,737	1,013
Lehigh Valley	8,249	5,980	7,859	13,754	12,540
Maine Central	2,407	2,358	2,170	4,098	4,036
Monongahela	5,743	2,079	6,032	290	300
Montour	2,070	525	2,248	23	41
New York Central Lines	51,572	49,227	44,800	55,506	41,617
N. Y., N. H. & Hartford	9,770	9,925	8,917	17,487	18,751
New York, Ontario & Western	1,131	935	882	2,962	2,193
New York, Chicago & St. Louis	6,753	6,985	7,056	16,015	14,796
N. Y., Susquehanna & Western	465	638	323	2,566	1,880
Pittsburgh & Lake Erie	8,214	6,822	7,013	7,798	5,180
Pere Marquette	5,838	5,304	5,743	7,752	7,228
Pittsburg & Shawmut	735	378	705	18	21
Pittsburg, Shawmut & North	255	249	402	226	189
Pittsburgh & West Virginia	1,076	697	1,031	2,864	2,930
Rutland	376	400	294	1,404	1,101
Wabash	6,863	6,206	5,492	12,616	12,300
Wheeling & Lake Erie	5,809	4,231	5,250	4,340	3,758
Total	164,432	143,543	149,783	229,175	200,591
Allegheny District—					
Akron, Canton & Youngstown	685	760	729	1,200	848
Baltimore & Ohio	46,814	32,992	38,083	29,273	29,693
Bessemer & Lake Erie	5,212	5,597	6,324	1,679	1,484
Buffalo Creek & Gauley	*327	275	270	*6	4
Cambria & Indiana	1,445	6	1,776	7	6
Central R. R. of New Jersey	6,477	5,871	6,682	19,935	18,164
Cornwall	527	693	680	40	53
Cumberland & Pennsylvania	167	50	216	11	12
Ligonier Valley	120	77	118	37	45
Long Island	1,442	1,295	1,189	3,772	3,317
Penn-Reading Seashore Lines	1,821	2,024	1,646	2,413	2,778
Pennsylvania System	85,484	68,942	78,252	65,985	54,014
Reading Co.	15,346	10,788	13,673	29,510	24,566
Union (Pittsburgh)	19,536	18,711	19,965	5,647	7,255
Western Maryland	3,918	2,656	3,754	12,894	9,819
Total	189,321	150,737	173,357	172,409	152,058
Pocahontas District—					
Chesapeake & Ohio	29,733	9,864	27,044	14,751	10,154
Norfolk & Western	21,307	7,732	21,626	8,534	5,058
Virginian	4,385	1,177	4,469	2,660	2,361
Total	55,425	18,773	53,139	25,945	17,573
Southern District—					
Alabama, Tennessee & Northern	343	320	379	487	374
Atl. & W. P.—W. R. R. of Ala	767	608	787	2,899	3,346
Atlanta, Birmingham & Coast	839	781	745	1,502	1,211
Atlantic Coast Line	11,452	12,522	11,874	10,689	11,196
Central of Georgia	3,785	4,053	3,689	4,468	4,333
Charleston & Western Carolina	420	383	406	1,790	1,382
Clinchfield	1,687	1,316	1,671	3,171	1,836
Columbus & Greenville	331	273	519	294	226
Durham & Southern	173	114	112	762	279
Florida East Coast	1,559	1,990	1,234	1,380	1,477
Gainesville Midland	61	53	37	102	125
Georgia	1,294	1,247	1,414	2,483	3,404
Georgia & Florida	*522	470	404	*649	679
Gulf, Mobile & Ohio	5,007	3,738	3,941	4,421	4,304
Illinois Central System	31,561	23,670	28,465	19,230	13,690
Louisville & Nashville	26,295	13,806	24,541	11,826	13,168
Macon, Dublin & Savannah	229	180	201	710	744
Mississippi Central	435	269	176	472	429
Nashville, Chattanooga & St. L.	3,739	3,100	3,352	4,791	4,914
Norfolk Southern	993	1,157	1,429	2,072	1,730
Piedmont Northern	471	377	347	1,429	953
Richmond, Fred. & Potomac	429	457	463	9,587	11,067
Seaboard Air Line	9,911	11,260	11,277	8,997	8,069
Southern System	25,380	20,951	23,148	26,795	22,053
Tennessee Central	781	491	475	1,001	961
Winston-Salem Southbound	166	154	78	1,155	922
Total	128,630	103,740	121,164	123,162	112,872
Northwestern District—					
Chicago & North Western	19,783	20,908	19,400	14,653	14,103
Chicago Great Western	3,205	2,920	2,005	3,611	3,611
Chicago, Milw., St. P. & Pac.	22,975	20,958	19,135	10,922	9,024
Chicago, St. Paul, Minn. & Omaha	3,376	3,668	2,956	4,197	4,155
Duluth, Missabe & Iron Range	24,520	29,097	24,669	235	269
Duluth, South Shore & Atlantic	714	832	1,185	617	664
Elgin, Joliet & Eastern	9,203	8,590	9,340	11,408	8,008
Ft. Dodge, Des Moines & South	407	465	452	78	57
Great Northern	20,246	20,966	20,383	7,611	5,196
Green Bay & Western	536	516	453	949	999
Lake Superior & Ishpeming	1,931	1,051	2,315	54	49
Minneapolis & St. Louis	2,318	1,961	2,048	2,931	2,537
Minn., St. Paul & S. S. M.	6,960	7,366	6,718	3,174	2,844
Northern Pacific	12,489	12,630	11,873	6,786	5,472
Spokane International	163	103	157	599	488
Spokane, Portland & Seattle	2,768	2,326	2,015	3,366	3,119
Total	131,594	134,357	125,104	71,191	60,595
Central Western District—					
Atch., Top. & Santa Fe System	27,170	24,379	23,296	16,081	13,331
Alton	3,820	3,282	3,190	4,063	4,684
Bingham & Garfield	424	535	568	57	69
Chicago, Burlington & Quincy	23,149	17,928	20,873	16,397	13,142
Chicago & Illinois Midland	3,055	989	2,484	949	752
Chicago, Rock Island & Pacific	13,135	13,217	12,472	14,345	12,052
Chicago & Eastern Illinois	3,116	2,348	2,533	5,204	5,802
Colorado & Southern	1,347	1,183	1,157	3,198	2,170
Denver & Rio Grande Western	5,229	4,242	5,368	7,536	6,005
Denver & Salt Lake	618	271	812	22	24
Fort Worth & Denver City	1,057	1,292	1,250	2,458	1,570
Illinois Terminal	2,329	1,745	1,881	2,233	2,086
Missouri-Illinois	1,307	1,218	1,246	712	403
Nevada Northern	1,289	2,082	2,064	69	128
North Western Pacific	746	872	1,148	917	736
Peoria & Pekin Union	17	4	25	0	0
Southern Pacific (Pacific)	30,833	31,144	30,329	15,098	14,649
Toledo, Peoria & Western	463	444	353	2,044	1,843
Union Pacific System	23,301	20,357	20,350	19,517	17,620
Utah	486	202	561	6	14
Western Pacific	2,230	2,241	2,412	5,549	4,923
Total	145,061	129,975	134,372	116,456	102,010
Southwestern District—					
Burlington-Rock Island	641	282	158	554	151
Gulf Coast Lines	5,978	7,222	5,005	2,435	2,676
International-Great Northern	2,605	2,184	3,137	3,569	4,152
Kansas, Oklahoma & Gulf	271	244	363	1,065	1,047
Kansas City Southern	5,443	4,791	5,206	3,252	2,687
Louisiana & Arkansas	3,764	3,380	3,565	2,555	2,766
Litchfield & Madison	330	282	297	1,336	1,307
Midland Valley	768	430	628	529	380
Missouri & Arkansas	220	211	176	515	442
Missouri-Kansas-Texas Lines	7,071	6,106	5,985	5,701	5,288
Missouri Pacific	18,873	16,732	17,719	20,001	20,572
Quanah Acme & Pacific	86	100	133	404	215
St. Louis-San Francisco	10,290	8,340	8,686	9,766	8,072
St. Louis Southwestern	4,135	3,345	3,004	6,486	6,884
Texas & New Orleans	12,416	13,863	12,912	5,463	5,287
Texas & Pacific	5,864	5,982	5,637	7,110	7,812
Wichita Falls & Southern	76	100	113	34	69
Weatherford M. W. & N. W.	39	20	20	42	39
Total	78,870	73,614	72,744	70,817	69,846

*Previous week's figure.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
August 5	195,161	160,568	604,299	96	94
August 12	140,338	158,849	585,316	96	94
August 19	136,936	155,516	562,744	95	94
August 26	128,596	156,921	534,174	96	94
September 2	173,065	155,820	549,114	97	94
September 9	131,988	123,758	554,352	80	94
September 16	129,481	158,178	525,730	97	94
September 23	125,258	161,114	486,818	96	94
September 30	160,952	159,114	482,896	95	94
October 7	217,096	158,946	541,424	96	94
October 14	139,347	154,719	523,875	96	94
October 21	133,028	156,269	499,929	94	94
October 28	146,003	157,806	486,882	95	94
November 4	207,817	157,644	535,745	96	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Annual Institute on Federal Taxation

New York University's Third Annual Institute on Federal Taxation, at which specialists in tax work will consider changes and proposed changes in the tax laws and regulations opened on Nov. 9 with a discussion on estate planning, particularly in the light of recent tax and gift tax decisions. In his announcement Nov. 9, Paul A. McGhee, Director of the University's Division of General Education, stated that over 250 active tax practitioners and Government officials who administer tax regulations are expected to attend the meeting from Nov. 9 to Nov. 22, for which three sessions on highly technical tax problems have been planned daily. Mr. McGhee also said:

"In an era of much complicated tax legislation, it is believed that there should be a forum where tax practitioners may meet to share experience and to discuss problems arising to which answers are not readily apparent either in the tax statutes or in published materials," Professor McGhee explained. "This Annual Institute has provided such a forum, where acknowledged authorities may present papers on specific phases of taxation, and which serve as a place for representatives of the Treasury Department and the Bureau of Internal Revenue to meet with practitioners to the end of achieving a more effective and cooperative relationship."

Among the subjects to be considered at the Institute will be development in the income taxation of trusts since the Revenue Act of 1942; dividend problems under the income-tax and excess-profits tax law; tax problems in wage-control legislation; reaction of the Treasury to changes proposed by various sources.

Subjects presented at the morning sessions will be discussed before adjournment but papers given at the afternoon sessions will not be discussed until the evening sessions, which begin daily at 6:30 p.m. with a dinner for Institute members at the University Faculty Club, 22 Washington Square North. Morning and afternoon lecturers will be present at these dinner sessions to discuss questions raised by their presentations.

J. K. Lasser, author of several standard works on taxation, has been Chairman of the Planning Committee for the Institute. Members of his Committee have included Professor McGhee, Rufus D. Smith, Provost of the University; Harry J. Rudick, lecturer, School of Law; Paul Studenski, Professor of Economics, School of Commerce; Ewing Everett, V. H. Maloney, Harry Silverson and David B. Chase.

Lumber Movement Week Ended Nov. 4, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 502 mills reporting to the National Lumber Trade Barometer were 0.4% below production for the week Nov. 4, 1944. In the same week new orders of these mills were 14.1% less than production. Unfilled order files of the reporting mills amounted to 90% of stocks. For reporting softwood mills, unfilled orders are equivalent to 35 days' production at the current rate, and gross stocks are equivalent to 37 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 2.6%; orders by 4.5%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 22.8% greater; shipments were 25.5% greater, and orders were 11.9% greater.

Items About Banks, Trust Companies

Winthrop W. Aldrich, Chairman of the board of The Chase National Bank of New York, announced on Nov. 8 the election of A. N. Kemp of California, President of American Airlines, Inc., as a member of the bank's board of directors. Mr. Kemp, who for many years has been identified with public utility, insurance and banking enterprises in his native California, added commercial aviation to his interests in 1941 when he was elected a director of American Airlines. In April, 1942, he was asked to serve as President for the duration of the war when C. R. Smith was called to service in the Army. Mr. Kemp was instrumental in developing construction of the West's first high-tension transmission lines, and in 1917 became Vice-President of Southern California Edison Co. He later served as Executive Vice-President of the California Bank, and in 1935 became President of the Pacific Mutual Life Insurance Co. He is now Chairman of the board of Pacific Mutual, and a director of Standard Oil Co. of California, Southern California Edison, the California Bank, and American Airlines. As a director of The Chase, Mr. Kemp will commute by air between Los Angeles and New York, as he has done heretofore on business trips.

At the regular meeting of the board of directors of City Bank Farmers Trust Co. of New York, held Nov. 8, Crosby T. Smith was appointed Trust Officer. Mr. Smith returned recently from active overseas service as a Major in the Ninth Air Force, and on Oct. 16 was reappointed Assistant Trust Officer, the title he held at the time he entered military service in May, 1942. He joined the trust company Sept. 15, 1924.

Thomas J. Shanahan, President of Federation Bank & Trust Co. of New York, announces that at a special meeting of the stockholders of the bank, held on Nov. 14, approval was granted to increase the authorized capital stock of the bank from $825,000 to $1,000,000, representing an increase from 82,500 shares of $10 par value to 100,000 shares of the same par value. The directors plan to vote a stock dividend consisting of these 17,500 shares to all stockholders pro rata, to be distributed together with the regular cash dividend before the close of the year. The bank's capital and surplus thereafter will appear at $2,200,000 in the form of $1,000,000 capital and $1,200,000 in surplus.

In a letter on Nov. 6 to the stockholders of the Trade Bank & Trust Co. of New York, regarding plans to increase the capital of the bank, Henry L. Schenk, President, states that for some time the institution has had under consideration the establishment of a branch office in or about Rockefeller Center. The letter says:

"We have secured an option for the leasing of a branch office at 6-8 West 48th Street, consisting of a main floor ample for general banking facilities and a basement suitable for safe deposit vaults.

"We feel that it would be desirable to increase the capital of the bank before an additional office is opened, especially in view of the fact that since the removal of our main office to its present location, our deposits have increased from approximately $12,000,000 to $36,000,000. Our Directors have therefore recommended that capital funds be increased by approximately $1,000,000 through the issuance of 60,000 shares of new stock to be offered to Stockholders at the rate of $16.50 per share. Subject to the approval by stockholders of the proposed plan of recapitalization, the Board of Directors have further voted that a stock dividend of one-fourteenth of a share of stock for each share held (new and old stock) be paid to stockholders, after the new shares of stock have been issued.

"After the additional capital has been subscribed and the stock dividend paid, the capital accounts of the bank will be approximately as follows: Capital $1,500,000; surplus, $1,000,000; undivided profits and reserve $300,000.

The stockholders meeting to act on the increase will be held on Nov. 20 at the principal office of the institution, 36th Street and 7th Ave.

At a meeting of the board of directors of Bankers Trust Co., held on Nov. 8, A. Sidney Norton was elected an Investment Officer in the bank's bond department, effective Nov. 15. Mr. Norton has been associated with Shields & Co., investment bankers, since January, 1935. He was graduated from Amherst in 1917, and served in the First World War as an Ensign in the Navy.

Thomas J. Shanahan, President of the Federation Bank and Trust Company of New York, announces that at a meeting of the Board of Directors held on Nov. 14 L. Alan Harrison, Treasurer of Robinson's Women's Apparel, Inc., was elected to Board membership.

At a regular meeting of the Board of Directors of The National City Bank of New York held on Nov. 14 David R. Young was appointed an Assistant Cashier.

Winton G. Rossiter, a former Governor of the New York Stock Exchange and member of the brokerage firm of J. H. Oliphant & Co., New York, has been elected a trustee of the Broadway Savings Bank of New York, N. Y., it was announced on Nov. 9.

Harry M. Edwards, a trustee and Chairman of the Finance Committee of the Lincoln Savings Bank, Brooklyn, N. Y., died on Oct. 31. He was 77 years of age. Mr. Edwards was also President of the New York Medical Service Corporation.

At a board meeting of the East New York Savings Bank, Brooklyn, N. Y., on Nov. 9, Dr. Franklin Bracken was elected a trustee, succeeding the late Dr. William F. Saybolt. Dr. Bracken was formerly on the staff of the Columbia University Medical School and is now connected with the New York Post Graduate Hospital.

John Leland Cross, former President of the Mount Vernon Trust Co., Mount Vernon, N. Y., died on Nov. 7. Mr. Cross began his career in Birmingham, Ala., with the First National Bank, after serving with the Southern Railway and various real estate businesses. In 1915 Mr. Cross became Federal Reserve Bank Examiner and was made Deputy Governor of the Kansas City Reserve Bank. Later he joined the staff of the National City Bank in New York as Assistant Vice-President, and in 1927 was advanced to the office of Vice-President. Mr. Cross was elected President of the Mount Vernon Trust Co. in 1933 and remained at that position for 10 years until he retired in 1943. Mr. Cross was 58 years old at the time of his death.

Edward S. Rooney on Nov. 6 was elected President of the First Trust Co. of Albany, N. Y. Mr. Rooney, it is learned from the Albany "Times-Union," is a director and member of the executive committee of the bank, as well as one of its attorneys. Since he received his law degree in 1929 from Harvard Law School he has been associated with the law firm of Cooper, Erving & Savage, of Albany, who have been attorneys for the First Trust Co. since its merger with the Albany Trust Co. in 1926, and prior thereto for the First National Bank. Mr. Rooney fills the position vacated by Addison Keim, who has joined the Albany Exchange Savings Bank.

Directors of the Lincoln National Bank of Newark, N. J., announced on Nov. 4 that a stock dividend of $200,000 is to be issued to shareholders of record Oct. 14 on the basis of one share for each three shares held. In addition, a cash dividend of $1 a share was announced, payable Jan. 15 to shareholders of record Dec. 15, and the transfer of $25,000 to surplus, bringing the total to $625,000.

At the expiration of subscription rights, on Nov. 3, of the 25,000 additional shares of common stock of the Baltimore National Bank, Baltimore, Md., the bank officials reported that the entire offering had been subscribed. We quote the Baltimore "Sun" of Nov. 4, which also said:

"As of today, the bank will apply the proceeds of the sale of stock, together with other funds, to the retirement of its outstanding preferred stock, consisting of 32,500 shares of a total par value of $650,000.

"Completion of these changes gives the Baltimore National the following capital structure: Common stock, $1,000,000; surplus, $2,000,000; undivided profits in excess of $400,000.

"The rights were offered to stockholders in the form of transferable warrants to subscribe to the additional stock at $20 a share in the ratio of one new share for each three held."

The admission of the Farmers and Citizens Bank of Trotwood, Trotwood, Ohio, to membership in the Federal Reserve System was announced recently by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. The Trotwood bank has deposits of $1,348,000 and has a paid-in capital of $35,000 and a surplus of $35,000. Officers of the bank are Harvey Swank, Chairman; J. W. Devers, President, and Richard E. Gump, Vice-President and Cashier. Directors, besides Messrs. Swank, Devers and Gump, are William Allaman, Manager of the Trotwood Farmers' Exchange, and Ralph Garver, an accountant. Federal Reserve member banks in the Fourth District now total 711.

Walter Tufts, Vice-President of the Cleveland Trust Co., Cleveland, Ohio, since 1938, died on Nov. 6. Mr. Tufts graduated from Harvard in 1913 and began his banking career with the Guaranty Trust Co. as New England representative. Later he became Vice-President of the old American Trust Co. of Boston and the Worcester County Bank of Worcester, Mass.

The Federal Reserve Bank of St. Louis, Mo., announced that "the North Side Bank, Evansville, Ind., became a member of the Federal Reserve Bank on Oct. 25." The Reserve Bank states:

"The new member began business in 1914. It has a capital of $200,000, surplus of $100,000, and total resources of $6,578,900. Its officers are: Herman J. Folke, President and Trust Officer; Ernest Monroe, Vice-President; Clarence F. Witting, Vice-President; Wm. R. Claybourn, Cashier; E. H. Poggemeier, Assistant Cashier, and Helen Briel, Assistant Cashier."

The addition of the North Side bank brings the total membership of the Federal Reserve Bank of St. Louis to 472.

The American National Bank of Oak Cliff, Dallas, Tex., formally opened for business on Nov. 6, with a capital of $200,000, surplus of $200,000, and undivided profits of $50,000, or a total fully-paid capital structure of $450,000, according to Cooper E. Wyatt, President of the newly-opened bank. Reporting this, the Dallas "Times-Herald" said:

"Mr. Wyatt has been President for a number of years of the Hillcrest State Bank, and has also been President of the South Dallas Bank & Trust Co. He resigned the South Dallas presidency to assume the presidency of the American National Bank of Oak Cliff. He will serve both the Hillcrest State Bank and the American National as President, giving a part of his time daily to each. Officers besides Mr. Wyatt are: J. C. Anderson Jr., Vice-President, and Sam L. Randlett, Cashier.

George Sealy, Chairman of the board of the Hutchings-Sealy National Bank, Galveston, Tex., and director of the Gulf, Colorado & Santa Fe RR., died on Nov. 4. He was 63 years of age. Mr. Sealy was also President of the Galveston Wharf Co., and was prominent in Texas financial and civic activities.

The directors of the Midland Bank, Ltd., of London, announce that Sir Clive Latham Baillieu, K.B.E., C.M.G., and Kenneth Huson Preston have been elected to seats at their board and the board of the Midland Bank Executor & Trustee Co., Ltd.

France Invited by U. S., Britain and Russia to Membership on European Advisory Commission

An invitation to the Provisional Government of France to full membership on the European Advisory Commission has been extended by the United States, Great Britain and Russia. This was made known in Washington advices Nov. 11, the Associated Press saying:

"The main work of the Commission is planning the occupation and control of Germany. Progress has been made recently on these problems but none of the work embraced French ideas. The French had refused to give their counsel unless they could share in the decisions and responsibilities."

Further referring to the invitation to France, these press advices stated:

France will have a full voice in imposing justice upon a defeated Germany.

Even those points that the "big three" already had decided apparently have been reopened to incorporate French ideas.

Germany may be split four ways instead of three for occupation purposes.

These appeared tonight to be the main prospects raised by announcement that France had been invited to sit with the United States, Great Britain, and Russia on the European Advisory Commission.

From the Associated Press accounts from Washington we also quote:

The announcement today, following allied recognition of the administration of Gen. De Gaulle as the provisional government of France, marked the end of exclusive "big three" domination in Europe.

Assuming that France accepts the invitation and that China is counted in, a "five power" era for the erection of world peace machinery appears to be opening. In preparation for this the United States, Britain, Russia, and China agreed at Dumbarton Oaks that "in due course" France should be counted as one of the powerful permanent five members of the proposed world security council.

Today's action presumably means that the qualification "in due course" has been met and that France will go immediately on the council if and when the world organization is set up.

The European Advisory Commission is a sort of planning agency but it has no authority to make decisions.

Some time ago the Commission asked all the smaller allied countries of Europe and also France to submit ideas for handling Germany. All did except France.

The Commission already had worked out and Moscow, Washington and London had approved a set of terms to be imposed after Germany's surrender. The Commission also had obtained approval of a three-way-split plan for occupying Germany.

Beyond the period of military occupation decisions still have to be made on long range policies for control and pacification.

Stating that the decision to invite France into the Advisory Commission, where all-important policy recommendations for the Allies are framed, was contained in a joint communication of the three member Governments to the French Provincial Government, special advices to the New York "Times" from Washington Nov. 11 by Lansing Warren said:

The most important result of this action, from the French point of view, is the Allies' recognition of French vital interests in the surrender terms to Gemany, a claim that has been voiced repeatedly by French officials in recent weeks.

This recognition was expressed in the statement issued here today by Acting Secretary of State Edward R. Stettinius, Jr., announcing the invitation. Its text follows:

> At the Moscow conference a year ago, the American, British and Soviet Governments decided to re-establish in London a European Advisory Commission for the purpose of studying certain European questions and submitting joint recommendations thereon to the three Governments.
>
> Among the matters which are receiving the close attention of the Commission is the question of the surrender terms to be imposed on Germany, and the treatment to be accorded that country.
>
> Conscious of France's vital interest in the solution of the German problem and of the part which France will inevitably play in maintaining the future peace of Europe, the Government of the United States is happy to join in extending to the Provisional Government of the French Republic an invitation to full membership on the European Advisory Commission.
>
> Representatives of the three Governments are today communicating this decision to the Provisional Government of the French Republic at Paris.

War Correspondent to Address AIB Alumni

The Alumni Association of the New York Chapter, American Institute of Banking, will hold a dinner meeting on Friday evening, Nov. 17, at the Town Hall Club, 123 West 43rd Street, New York, it was announced on Nov. 10 by E. LeRoy Squire of the Williamsburg Savings Bank and President of the Association. Gault MacGowan, renowned war correspondent who recently returned from the European war theater, will address the meeting and give an eye-witness account of his experiences. William S. Vanek of the Manufacturers Trust Co. is Treasurer of the Dinner Committee.